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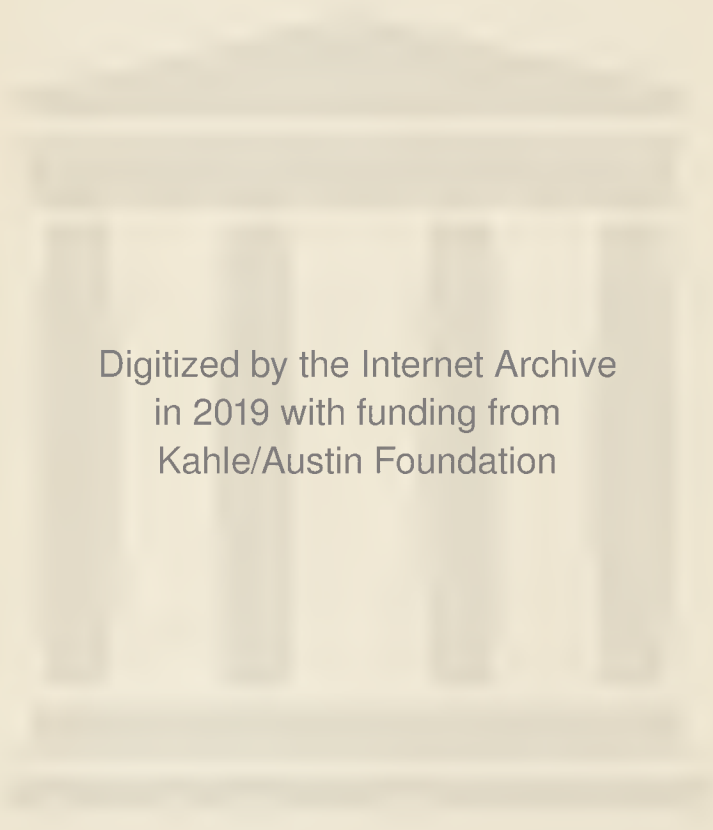

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CANADA AND THE EMPIRE

BY

W. R. LAWSON

AUTHOR OF
'AMERICAN INDUSTRIAL PROBLEMS,' 'AMERICAN FINANCE,' 'BRITISH ECONOMICS,' 'JOHN BULL AND HIS SCHOOLS,' ETC.

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TO THE

IMPERIAL CORONATION CONFERENCE

OF 1911

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THE KEY-NOTE.

This book is issued in the throes of an imperial—one might almost say a world—crisis. While it was being written the crisis was slowly but surely coming to a head. Then a small event—a matter-of-fact commercial agreement—fired the shot which is now reverberating across the Atlantic. Three kindred nations — the United Kingdom, the United States, and Canada — have suddenly run up against the question what their future positions in the world and their relations to each other are to be.

A far bigger and more momentous question this than House of Lords' Veto, Home Rule, or Tariff Reform. Without delay the three countries have got to answer it definitely and decisively. This may be their last chance to arrive at the right answer and the best for all of them. The time may have come for each of them to realise that mere kinship of race does not ensure to them a kindred and harmonious

destiny. How the United States may solve the crisis is not our concern, but for the United Kingdom and Canada there is only one safe and honourable outlet from it. It is immediate and effective federation of the Empire. Let us silence for a time our electioneering shibboleths and—FEDERATE. What has been quietly and wisely done in Australia and South Africa should not be impossible at Westminster.

W. R. LAWSON.

LONDON, *March* 1911.

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Canada and the Empire.

CHAPTER I.

THE BRITISH EMPIRE IN TRANSITION.

Of the many interesting political and economic questions which have come to the front in the opening years of the twentieth century, one of the most fascinating is the future of Canada. It has captured the imagination of mankind and aroused world-wide attention. It is not only of commanding interest in itself, but there is involved in it a much larger and more important question—the future of the British Empire. In the present eventful generation the whole range of the civilised world has been undergoing profound changes,—some caused by wars, some by peaceful revolutions, but most of them by new developments of commerce and industry. No nation or country has altogether escaped, and where on the surface they make the smallest show they may underneath be the most active and disintegrating.

Great Britain, the head and heart of a mighty Empire once so stable and firm-rooted, is now plunging deeper and deeper in a vortex of new and strange movements. It is undergoing the most revolutionary changes in its long and eventful history—changes all the more dangerous for being little understood. They are least of all understood by those who must bear the risk of them. Our constitutional crises, our naval scares, and our electioneering contests are but the outward symptoms of profound organic unrest. The whole basis and groundwork of the Empire are undergoing a silent transformation. Its centre of gravity is shifting and may not remain much longer within these Islands. Already London is in a much smaller degree the capital of the British Empire than it was in the infancy of the colonies.

When the colonies were young and feeble they had to be nursed by the Mother Country. They required its constant protection, which was freely and ungrudgingly given. They looked to it for population, for capital to develop their resources, for markets in which to dispose of their produce. They copied its laws and forms of government. They framed their institutions and their administrative machinery on the models it offered them. In those days the relations between the two were in truth maternal. The children never presumed to compare themselves with the mother either in wealth, political power, or national status. No

colony, however ambitious, would have presumed to measure itself for a moment with the parent state. No colonial Parliament would have ventured to speak of itself in the same breath with the House of Commons. No colonial city ever thought of questioning the prestige of the one and only London.

So absolute and complete was the filial feeling of the colonies in those days that it required little or no skill to govern them. The decrees of Downing Street might be frankly criticised and at times protested against, but they were always obeyed as the last word in political or judicial controversy. The colonial situation of say forty years ago has only to be roughly outlined in order to show how utterly transformed it has become. A Canadian or an Australian of the early Victorian period, were he to come to life again, would find himself in an entirely new world. Everywhere he would encounter radical changes, a wholly different London from his and a still more different Montreal, Melbourne, and Sydney. Downing Street would be a hopeless puzzle to him, and Westminster would look more like Sancho Panza's republic of Barataria than the Imperial Parliament he had been accustomed to regard with reverence and dread.

Such a resurrected colonist, when he had recovered from the first shock of surprise and perplexity, would be apt to conclude that the British Empire as he knew it had been swept

away. On closer search he might find a good deal of the old machinery at work, but the soul of it would have disappeared. He would see the same old process of despatch writing being carried on at the Colonial Office, but in a very formal and perfunctory way. He might hear colonial questions being asked and answered in the House of Commons, and not one in a hundred of them worth asking so far as the colonies are concerned. Not twice in a session would he have a chance to listen to a parliamentary debate on any question touching the general weal of the Empire.

If he turned in disgust from Westminster and tried Fleet Street, he would meet with further evidence of how little thought the British public have to spare for empire building. In the morning and evening papers he might find scraps of colonial news scattered about in odd corners. Now and then there might be a two-column report of a big colonial function—a Canadian First of July or an Australian Labour Day or the inauguration of a South African Parliament. An Empire Press Congress might keep up the excitement for several days, but when the toasts and the speeches were over it would be speedily forgotten. Then Fleet Street has to return to its narrow round of trivial subjects which really interest its readers—to the cricket field, the golf links, the music hall, and the airmen.

Even the few serious subjects which are allowed to compete with the recreations of the average

Englishman get only superficial and desultory attention. Many of them are treated as theological and political footballs. Others are subordinated to the interests of a social class or a geographical area. Some are decided beforehand by the chapel or the trade union. The fate of a Ministry or a party or even a section of a party takes precedence of all higher or larger considerations. Very seldom is anything discussed and decided on its merits as a national, much less as an imperial question. The rare bursts of popular enthusiasm are oftener inspired by sectarian than by patriotic zeal. The popular agitations of the day are invariably destructive or disintegrating. The party cries, the ministerial policies, the whole spirit of civil administration is disorganising.

The United Kingdom, which used to be a hive of profitable industry full of willing workers, is rapidly becoming a storehouse of paper wealth for which tax-gatherers, trade unionists, and charity collectors are clamouring. Less and less is left for the taxpayer himself, however much he may grumble and however hard he may fight in self-defence. His occupations, his amusements, his ideals are those of a decadent society. His life is epitomised in the newspaper which provides him with his daily mixture of sensations ranging from meteorology to murder. A familiar sheet picked up at random exhibits the following display of headings: Grave Labour Crisis. Miners Favour a General Strike. Dr Crippen Sails for England.

The Cholera Scourge. A Drama of the High Seas. Challenge to Cobdenites. Fighting the Throne. Another Venomous Speech by Mr Keir Hardie. Pretexts for Taxation. Real Object of the Land Valuation Scheme. Budget Means No Dividend. The Passing of Our Sea Supremacy. Failure of the Territorials. Tragedy of Speculation. Pork Pie Peril. Mystery of Gorse Hall. Ruined Wine Crops. Yesterday's Motor Accidents. Another Slump in Gilt Edged Securities.

These are actual quotations from a single issue of a London paper. Equally lugubrious samples can be obtained from any of the others, as thus: The Taxicab Trouble. Land Tax Muddle. The Conference. Neil Gow in a Fresh Scare. Gathering Clouds. British Warship Ashore. Liberalism and Labour. Mr Will Thorne on Land Grants. Labour Revolt. Church Divisions. The Food Question. Aviation Losses at Blackpool. Railway Crisis. Moral Dram Drinking. The Grievances of Clerks—and so on. Such was the newspaper fare of the British public in the year of grace 1910. It is a cupboard full of skeletons and bogeys with hardly a ray of sunshine to relieve the gloom. How much sympathy can people with so many troubles of their own on their minds be expected to give to Canadians and Australians whom they never saw? What manner of guardians can they be for the boasted Empire on which the sun never sets? What do they know about it, and how much do they

care about it compared with their own insular affairs?

The great British public, as self-revealed in their Parliament, their Press, their Pulpits, their Platforms, and their public life generally—what are they doing for the promotion and consolidation of the British Empire? How much practical intelligent interest do they take in it? What is it to them in comparison with their Education Bills, their conscience clauses, their public-house licences, their Lloyd George budgets, and their labour disputes? These appear to be the natural and inevitable preoccupations of old—or as some people would call them, senile communities. How different those of young countries still in the making and with a boundless career before them!

The Canadian papers have quite other things to serve up to their readers than Home Rule Campaigns, "Down with the Lords" Crusades, failures of the territorial force, land-tax muddles, and class grievances. Their readers are building up, not pulling down. They are being welded into nations and not split up into religious sects or political factions. Every year they add so many thousand miles of railway to their transportation system; they open up thousands of square miles of virgin land; they increase their cereal crops by tens of millions of bushels; they get millions of dollars more for the produce they export, and at the year's end they find that they are hundreds of millions of dollars richer.

When Lord Beaconsfield said that to *youth* belonged the future, he meant it to apply to nations as well as to men. It is certainly true in a special degree of the British colonies of the present day. No young country ever had such a call on the future as Canada has to-day. It can supply the old world with food-stuffs, raw materials, precious metals, lumber, and other staple commodities which are elsewhere running short. It has good and profitable markets for everything it can grow. It draws all the labour, skilled or unskilled, that it needs from the pick of European emigrants. It can have capital for the asking from any of the principal money centres in Europe. Investors trust it freely with their savings, knowing that they can be profitably employed in Canadian industry and agriculture.

Nowhere save on well-managed rubber plantations in Malaya can capital be so prolific as on the Canadian prairie in fairly good years. All the essential conditions of sound and remunerative investment exist there. And that makes the people what they are — courageous, enterprising, level-headed, and pushful. No doubt these virtues have their relative defects. They may be carried to excess, but a people engaged heart and soul in empire building can hardly have too much of them. They are likely to produce greater results than the senilities of a lawyer-ridden country living on its past. Empire building is the proper business of a young,

hopeful, and progressive people, with a profound belief in its destiny. It is not for overcrowded, overcivilised, and overburdened communities, with whom sufficient for the day is the evil thereof.

It is open, of course, to the Mother Country to plead that it has already done its full share of empire building. That was, in fact, the line Mr Gladstone used to take in the colonial discussions of last generation. He groaned over the burden of empire and did his best to reduce the financial end of it. One of the economies on which he specially prided himself was the withdrawal of colonial garrisons, the dismantling of colonial fortifications, and the reduction of colonial charges generally. His successors are still suffering from the nightmare of the weary Titan which served him so well as an excuse for questionable retrenchments at home and abroad.

The British Empire and the British constitution appear to have both fallen on evil days. Both are suffering badly from the almost universal complaint of unrest. One has been for several years in the hands of a peculiar set of constitution-mongers who frankly admit that they are not so anxious to improve it as to make it suit their own ends. The British Empire is waiting to take its turn when the constitution has been remodelled and brought up to date. Meanwhile the regular business of the country is being delayed and disorganised while reformers of a hundred different

types quarrel among themselves about how it should be done. Our political history during these stormy years has been a prolonged wrangle among politicians, professors, pedagogues, and preachers over questions which practical men would have settled out of hand by rational compromise. Unfortunately there is no give and take among theologians and metaphysicians. They must have the last dot and hair stroke of their demands though the heavens should fall on them before they get it.

So the fruitless, futile squabble has dragged along all these years and is farther from being settled than when it began. It has not only spread discord and bad feeling at home, but it has presented a sorry spectacle to friends and rivals abroad. Its effect on our most powerful neighbour, Germany, is visible in the rapid growth of the German navy—a development so sudden and significant as to be an unmistakable challenge. Though less obvious, its effect on what used to be called our colonies, but are now our "Oversea Dominions," has been equally marked. Not a single outlying portion of the British Empire holds to-day the same cordial relations with the Home Government that it did five years ago. No colonial statesman regards Downing Street in quite the same light as he did when Mr Chamberlain was striking out a new and more business-like imperial policy.

Whatever differences of opinion there may have

been among the colonists as amongst ourselves regarding the details of his policy, it was at least an honest effort of constructive statesmanship. Had the British electors in 1906 accepted it simply as an experiment and agreed to give it a fair trial, the colonists would have heartily ratified the choice. Whatever their fiscal opinions or their political complexion, they would have welcomed the invitation of the Mother Country to draw nearer together and close up our ranks as a world-wide imperial federation. The mere act of co-operation would have created new ties between us and kindled warmer sentiments. However much or little success the scheme itself might have had, merely to have joined hands over it would have been a permanent gain.

Unhappily the philosophers and the doctrinaires prevailed over the practical men and imperial federation went to the wall. By that unforeseen mischance of electioneering the clock was put back at least twenty years. Federation had to wait while the new democracy was making desperate endeavours to alter the British constitution to suit its own fads, fancies, and prejudices. So far it has failed at every point. Its new finance, its County Council religion, its Irish misrule, its grovelling to the labour party, and its crusade against land and capital, have not only upset the orderly course of government at home but have reacted perniciously in the colonies. They have depreciated to an incalculable extent the value of

the imperial connection in the eyes of colonial statesmen and leaders of colonial opinion.

Can we wonder if Colonial Legislatures, rapidly growing in influence and authority, are consciously or unconsciously changing their attitude to the so-called Imperial Parliament? Is it surprising that colonial politicians with not a few statesmen among them should begin to draw invidious comparisons between parliamentary proceedings at Westminster and at Ottawa or Melbourne? Is it presumptuous in them to ask what good Lloyd-George finance or Keir-Hardie republicanism is likely to be to the Empire? Even Mr Asquith's war on the House of Lords and his short way with the Crown may find little favour in colonial eyes.

Forty years ago the question between the Mother Country and the colonies was whether the colonies were worth keeping. Now the tables are completely turned, and the question of the day is how long the colonies will find it worth their while to hold on to the Mother Country. The nearest and most important of our oversea dominions—Canada—is already face to face with that issue. It troubles itself little about what the Mother Country may or may not do when the future of the Empire has to be definitely decided. Its main concern is about what will best suit Canada. Nor can the Canadians be blamed for taking this apparently selfish line of action. They have been and are still being forced into it by the

jellyfish policy of Downing Street. They are men of the world—or as Lord Beaconsfield would have called them, "men of affairs." In this matter they are out for business and not for sentiment or cold-blooded philosophy. When they find that they have pig-headed pedants to deal with, they apologise politely and pass on to the next customer, who may be France or Germany or the United States.

If any one sees through our Ministerial pedants it is Sir Wilfrid Laurier. He plays with them like a clever angler, giving them all the line they want, flattering them for their consistency, and apostrophising their Free Trade principles as the glory of England! All the while he is whittling down the fiscal favours which they disdain to accept, and transferring them by degrees to our commercial rivals, by whom they are thankfully received without any Cobdenite scruples. Every transfer thus made is much more than a loss to British trade. It is another nail driven in the coffin of imperial federation. It widens the gulf between the Canadians and the Mother Country. It weakens the ancient ties of blood and brotherhood which have hitherto bound them. It strengthens the tendency of the Canadians to look out for themselves and leave us to our own devices.

That is what it is coming to, and very cursory observation of Canadian politics is needed to satisfy open-minded critics on the subject. All

the gush about bonds of brotherhood, ties of affection, and heart-to-heart alliances, with which the issue was overlaid in 1906, is gradually being swept aside. The Canadians know now that they have the whip-hand, and Sir Wilfrid Laurier can well afford to tickle Mr Asquith with Free Trade compliments which mean nothing. Free Trade has, in fact, become a very subordinate factor in the problem of imperial federation. The question whether or not we are ever to get genuine federation will have to be decided on much broader grounds than that.

Another lesson the British public will have to learn before they get a real hold of this problem is that the solution is not to come of itself. It will call for hard patient work on both sides. The colonies are no longer waiting for us to whistle to them and bring them to heel. They have taken up the more dignified position of eligible partners in a great imperial enterprise. They can bring into the partnership large and valuable assets. They are willing to assume a fair share of its responsibilities. But they want no patronage, no pedantry, and no political bluff. They are waiting for the Mother Country to state in plain language what the practical and tangible contributions of the various partners are to be.

That question is of peculiar interest to the Canadians, because they will be most directly affected by the ultimate decision of the Mother Country respecting the future of the Empire.

If the Mother Country should shirk her imperial responsibilities, or fail to perform them efficiently, it is to Canada that the Empire would next look for worthy leadership. Nor would it be likely to look in vain.

It may now be for Canada to take up the imperial burden and carry it a stage farther. The time may have come for the Old Country to husband its resources and to provide for its own future. Its national burdens are rapidly growing, while its earning power, if not actually on the decline, has certainly lost its elasticity. To provide for forty-five millions of people on a cultivated area of not much more than an acre per head may well tax the strength and skill of any British Government. To find a hundred and seventy millions sterling a-year for public service and national defence may well tax the resources of the British people. Such tasks leave little zest for ambitious schemes of imperialism.

CHAPTER II.

CANADA THE NEW IMPERIAL FACTOR.

MODERN history is a succession of surprises. People live nowadays simply to astonish each other with unexpected novelties. To-day it is a political crisis, to-morrow a historical pageant, the day after a record feat in aviation. Even our State ceremonies are becoming dramatic, as witness the brilliant scene at Balmoral when King George received the colonel of the Queen's Own Canadian Rifles—"the first regiment to cross the seas to take part in the home manœuvres in the Mother Country." So His Majesty very truly and feelingly described it in his gracious welcome, and as such the whole country responded to it with an enthusiasm which almost overwhelmed the visitors.

In that brief episode which happened so unexpectedly, and the importance of which people only began to realise when it was over, there may have been the seed of a new imperial movement. Originating with a private individual—Sir Henry Pellatt—and carried out entirely by

his generosity, it has given a fresh impulse to the cause of imperial unity—the cause which is struggling so hard in the teeth of political lukewarmness and discouragement. Of all His Majesty's subjects the Canadians are at present doing most to promote it, while British politicians are doing most to retard it. The visit of the Queen's Own Rifles was a happy inspiration, characteristic of the Canadians, and not by any means the first of their happy thoughts on behalf of the Empire. The men were typical Canadians, and their colonel especially so.

Sir Henry Pellatt has an extra share of the keen initiative and force of character which in the past decade have brought so many Canadian financiers to the front. Outside of business his ruling passion is soldiering, and he has inspired thousands of his fellow-citizens with military patriotism. As soldier and financier, he is a typical Canadian. There are many more such men in Toronto, Montreal, Winnipeg, and all the principal cities of the Dominion. We hear less of them than of the Parliamentarians, who do the talking and the jerrymandering, but they are, nevertheless, among the most important factors in Canadian national life. Chief of them all, of course, is Lord Strathcona—the Grand Old Man of the North-West. He is the father of a generation of Empire builders. Pioneers, railway constructors, financiers, and wealth creators at large, they have transformed a million

square miles of prairie into a vast granary, on which the world becomes more and more dependent.

In the group which surrounded King George when he received Sir Henry Pellatt there were other typical men not from Canada. One who was almost unnoticed at the time—and a strange experience it must have been for him—was the Chancellor of the Exchequer, Mr Lloyd George. The newspaper reports hardly mentioned him, and yet to the eye of a reporter gifted with a little imagination he might have appealed specially on such an occasion. Not, of course, because of his affinity with it, but the reverse. He represented a type of British subject even more remarkable than Sir Henry Pellatt, but how different in kind! He is the champion parochialist of his day in a still higher degree than Sir Henry Pellatt is a champion imperialist.

Metaphorically speaking, the empire and the parish met in King George's presence on that memorable morning at Balmoral. In pointing this contrast there is no intention whatever to sneer either at the parish or its champion. No right-minded imperialist looks down upon the parish, which, after all, is the basis of our political system, and therefore the corner-stone of the Empire. In everyday politics the parish is often less understood than the borough or the country or the colony. The man who knows it, and is in perfect touch with it, is

sure to have something to say for it which nobody else could. In that sense Mr Lloyd George is pre-eminently a child of the parish. He embodies its sentiments, its aspirations, and its prejudices. He has idealised these feelings and elevated them into national importance.

The interests of the village, its social inequalities, its physical privations, its religious jealousies, are for him vital questions. He has woven out of them a political creed peculiarly his own, and a fortunate concurrence of events has enabled him to place it before the country as one of the great policies of the day. So skilfully and persistently has he advocated it, that in the opinion of many sympathisers it has achieved a disproportionate and unhealthy magnitude. Under the Lloyd George régime there has been too much parochial politics. Quite apart from any question of their own proper merits, they have absorbed and monopolised public attention to an extent which endangers other than parochial interests. Such incidents as the visit of the Queen's Own Canadian Rifles are regarded by many as opportune reminders that the parish is not everything.

The narrowest and most parochial of our politicians must begin to realise that the British Empire is approaching a crisis in which its future may have to be decided once for all. If they persist in shirking the responsibilities with

which they have so long trifled, stronger hands may be waiting to take up their neglected task. The colonies themselves may find a way out of the maze in which the Mother Country appears to be losing herself. Canada is fast approaching the stage of evolution in which she will be able to speak on imperial affairs with equal authority to that of Downing Street or St Stephens. She has created a new nation in the West which may change the course of American history and give a new direction to the development of the Anglo-Saxon race. In all likelihood she is going to furnish the missing link in the long talked of but still unrealised confederation of Britain's world-wide dominions.

British politicians have mumbled and fumbled over that imperial question for wellnigh a century without getting within sight of a definite solution. It may now be the turn of less philosophical and more energetic men to take the problem in hand, and give us decisive deeds instead of endless streams of bewildering speeches. At every historical juncture there are people who talk eloquently and people who can act promptly. In this case there has been a surfeit of talk, and the call is now for action. The Canadians have proved themselves to be men of action, and their opportunity is rapidly coming to them. A few more years of their present phenomenal progress will give them so much weight in the councils of the Empire that even a regiment of

Winston Churchills will no longer be able "to bang, bar, and bolt the door against them." There may, in fact, be a complete change of doorkeepers.

Let us put it to our parochial politicians as a personal matter which deeply concerns their own future. Is it wise in them to devote their whole time and energy to questions of local rates and taxes, nonconformist conscience, public-house morals, and House of Lords Veto, leaving all the imperial issues of the day to the care of colonial statesmen? Which alternative is likely to have the best effect on the men themselves? Are the large issues not going to elevate and magnify those who handle them, and the small issues to dwarf those who give their whole souls to them? The Radical crusade of the past five years, what has it done for its leaders? Has it produced from the whole crowd of them an imperial or even a national statesman? Two or three new demagogues have pushed aside as many old ones, and that is all. No great reputation has been made, but some respectable reputations have been lost. One or two have been frittered away, and others have been thrown away.

Meanwhile, how many new reputations are being made in the colonies and how many old ones are being enhanced? In Canada, Australia, South Africa, and even in remote corners of the Empire, movements of world-wide interest are

being started; imperial issues of the first magnitude are being raised; history of various kinds is being made by hitherto unknown men, who, like Lord Byron, woke up one morning to find themselves famous. The young countries of the world are hustling the old ones, and a new generation of public leaders is rising up. Even the politicians of the young countries have become more interesting than their seniors of the old world. The newspaper reader of to-day is quite as familiar with the sayings and doings of Sir Wilfred Laurier as with those of Mr Asquith or Mr Lloyd George. In nine cases out of ten he has more sympathy with them. They stir higher and nobler emotions in his breast than the everlasting changes rung on land values and constitutional guarantees. The parochial keynote, however loud and shrill, does not carry far. The voice of the empire builder resounds through the world, and British hearts everywhere respond to it.

The advent of Canada as a ruling factor in imperial policy foreshadows changes which may be exceedingly inconvenient and unwelcome to Little Englanders. There are few, if any, Little Englanders in the Dominion. Neither are there many Free Traders of the pig-headed Cobden Club sort. Nor is there any sentimental gush about holding the Empire together by a union of hearts. Least of all is there any academic wool-gathering and Laputa philosophy.

To the Canadians the Empire is not a mere abstraction or a political symbol. It is a business institution with practical duties to perform and definite responsibilities to meet. In order to make it a reality it must have a visible working organisation instead of the negative and nebulous shapes in which it has hitherto presented itself. It will need a constitution of its own quite apart from those of its subordinate divisions. There will have to be a distinct federal policy with federal leaders devoting their whole time and thought to its operation.

The British Empire to-day is in a very similar plight to that of the thirteen American States when the original Confederation broke down. It had been based on the Little England idea of fraternal affection combined with individual independence. The two principles were soon found, however, to be quite incompatible. Fraternal affection brought in very little revenue for the support of the central government, which had therefore either to be made self-dependent or to be given up. Thanks to the genius of Alexander Hamilton and his associates, a genuine federal constitution was devised and adopted. From the day of its birth it has grown stronger and more efficient, until now, with all its moral faults, it is as solid and concentrated as the oldest of monarchies.

The American dilemma of 1787 confronts the British Empire now. The nominal and shadowy

links which have hitherto held together its diverse parts cannot do so much longer. They have no practical guarantees, no business value. They are figments of political imagination seen through a haze of parliamentary debates and after-dinner speeches. Unless they can be translated into specific contracts between the fifty or more separate sections of the Empire, they will gradually drop off and the fate of the original American Confederation may overtake us. Our only hope of salvation lies in the timely appearance of a new Alexander Hamilton and the adoption of a genuine federal constitution, not necessarily a copy of his but on the same practical and workable lines.

If any part of the Empire feels this dilemma more than another it is Canada. The Canadians know that things cannot drift much longer as they are doing. They are vaguely conscious that if they should be allowed to go their own way as they have done for years past, they may without wishing or intending it find themselves practically severed from the Old Country. That would be the beginning of the end of the British Empire. Without Canada we could not hold the West Indies, and even as it is they may become a dangerous bone of contention with the United States. If both Canada and the West Indies should be lost to us our position on the American continent would be wiped out. The consequent loss of military and political prestige would react disastrously on India and all our other possessions

in the Far East. It would destroy the ever precarious balance of power between Briton and Boer in South Africa. Australia would be placed in a desperate dilemma by having to choose between premature independence and continuance under a protection of doubtful value.

Without in any way intending to flatter the Canadians, it may be said frankly that Canada is the keystone of the imperial arch. Until the keystone is properly and securely fixed the arch cannot be trustworthy. But instead of striving as they should do in every possible way to secure it, our Little England statesmen are doing all they can to loosen it. The Canadian Government is not only given a free hand in the most important matters of national defence and foreign relations, but is allowed without protest to claim these privileges as a right. It is not only free to protect and promote its own commercial interests in foreign countries, but no check is exercised on its negotiations even when they affect British interests outside of the Dominion.

This absurd position has been created by the fatuity of our negative and nebulous imperialism. The most important of the commercial negotiations of the Empire are now carried on not by the Home Government but by the Colonies. While Colonial Governments drive sensible bargains with the foreigner and always get from him a Roland for their Oliver, the pundits at Whitehall sit on the clouds and preach Cobdenism

to a jeering world. The pundits are betraying their own country and the Empire at the same time. Canadian and Australian treaties are of course negotiated in the special interest of their authors, and why should they be otherwise? They pay no regard to the British manufacturer and still less to the British workman. Why should they concern themselves about superior beings who imagine that they and they alone possess the secret of national prosperity?

But one day it may be discovered that from the British point of view these colonial treaties are not so harmless as they pretend to be. They may not do much direct and visible injury to British trade, but they are bound to embarrass the diplomatic action of the Home Government. To mention only one conspicuous example, observe what an awkward position the Foreign Office has got into between the United States and Canada. It has become practically a buffer State to be kicked and cuffed from both sides. Nine-tenths of the questions that the British Ambassador has to deal with at Washington are Canadian or West Indian. They are directed, in fact, from Ottawa, and he is a fifth wheel in the coach. Sometimes he is allowed to run alongside of the Ottawa team, and at other times they dispense with his attendance. In the reciprocity negotiations lately concluded between Canada and the United States he was once more simply a spectator. One of the first announcements made regarding them was that Mr Bryce

was leaving them in charge of the Dominion Ministers.

Not for Canada only but for the British Empire these negotiations may turn out the most eventful that have yet taken place. Even on mere commercial grounds they may be of the greatest consequence. And they cannot stop at commercial results only. They may have political consequences which cannot at present be foreseen. That they will create an entirely new set of relations between the Canadians and Americans is obvious. That cannot be done without producing a vital change in the relations of both countries to the British Empire. Canada as a commercial ally of the United States can no longer be a loving sister to Little England. She will have to deal with Little England on the same business basis as she applies to the United States.

In short, Canada will have to take care of herself, and it is a question if she can always do that without injury, direct or indirect, to other parts of the Empire. When our other principal colonies follow Canada's example, as of course they will if they all get a free hand, they may frequently hurt each other and the Mother Country as well. They will all be working at cross-purposes, and without intending it they may soon be no more to each other than foreign nations. Obviously consultation and mutual understanding are needed to avert such a calamity. But consultation and mutual understanding could not do much without

practical means to enforce them. A complete scheme of co-operation can alone meet the emergency. This would be the first step toward imperial federation of the real as distinguished from the academic sort.

A Federal Council is urgently needed to provide a commercial policy for the Empire if for nothing else. Much has yet to be done in order to secure an efficient Council of Imperial Defence. Happily a Judicial Council of the Empire exists, and is one of the few symbols of imperial authority which have survived half a century of parochial reaction. Ultimately the three may be combined into a Supreme Council of Empire capable of welding all the British Dominions into one organic whole. Either that or continued disintegration appears to be our destiny. And we are hurrying toward it with unsuspected speed. The amazing development of Canada has precipitated it, and now the parting of the ways cannot be far off. Thoughtful men on both sides of the Atlantic already see it and shudder at the danger of a last irrevocable mistake being made when we come to it.

The negative and nebulous politicians who for years have persistently shirked the problem of Empire are now up against it in its most acute and urgent form. In running away from its difficulties they have only increased and aggravated them. Imperial federation is no longer an academic problem. It has become a commercial, military, and judicial necessity. Politicians and

parliamentarians may say or do what they please in their own preserve, but the business men of the Empire, the military men, and the plain men realise that it is no longer a matter of choice. While the colonies were in their infancy and had neither the power nor the ambition to act for themselves in imperial affairs, Downing Street was a passably good stepmother to them. But now that they are acting for themselves a central supervising authority has become indispensable.

Such is the imperial issue which Canada has raised, and is rapidly forcing on to a definite and permanent decision. The Little Englanders on their side are also forcing it on. By their degradation of the British Parliament and their parochialisation of British politics, they are destroying the last vestige of imperial authority at Westminster. Not only so, but they are extinguishing the last chance of restoring it on the old basis. When the House of Lords has been converted into a pliant tool of Radical and Labour politicians it will have given up all pretence of imperial authority, as the House of Commons has already done. Should Ireland succeed in reviving the Parliamentary revels of College Green, that will be another nail in the imperial coffin. And when the Irish have achieved the sole right to make as well as to break their own laws, the Scotch and the Welsh will doubtless claim a similar privilege.

Then the Mother Country's abdication of her

imperial leadership will be complete, and her humiliation beyond repair. Thereafter the fate of the British Empire will rest not with her but with the colonies she has allowed to slip from her feeble grasp. It will be for them to take up her unfinished task, and carry it on in their own fashion. All the choice she may have will be to take a back seat or to remain out in the cold. Most probably the deciding voice as to the future of the Empire will be Canadian. It already has a commanding influence, which year by year increases.

Canada is now the most progressive part of the Empire. Though possessing as yet only a sixth part of the population of the United Kingdom, and perhaps not a twentieth part of its accumulated wealth, it is creating a better kind of wealth, and building itself up on a stronger foundation. The value of population and of wealth depends on quality rather than on quantity or numbers. Man for man the Canadians are producing far more than either the English, Scotch, or Irish. They are also investing their capital—and ours—much more remuneratively than we can do at home. A thousand pounds invested in the virgin prairie may recoup itself in a few years, whereas, if spent on London streets and sewers, it disappears for ever. The millions sterling which every year are swallowed up by our large cities with little or no return would create new provinces in the North-West. In-

stead of having only rate or tax receipts to show for them, there would be miles of new country opened up, settled, and cultivated. Urban wealth is nowadays much less substantial and secure than rural wealth. Even to its owners it has less value, and to those who must live by their labour it has often no value at all. The most live parts of the Empire are consequently those which are getting most out of their soil, and in that respect Canada stands pre-eminent. This fact alone ensures to her an authoritative voice in the future counsels of the Empire, and all the parochialists and Little Englanders in the country will be powerless to keep her out of it. In the new imperialism economic strength will count for more than historical prestige, and for much more than political strategy. The fuller that the Canadians realise their economic strength the higher they will naturally raise their pretensions, the firmer a tone they will adopt toward Downing Street, and the more important a factor they will become in imperial federation.

CHAPTER III.

HOW CANADA BECAME A NATION.

THE twentieth-century Canada, what is it to be in the long-run—a British Canada, an American Canada, or an independent Canada? What is to emerge from its hustling and its booming, its strenuous politics and its dazzling finance, its fiscal preference and reciprocity treaties? Whither is it being led by its thousands of miles of new railway and its millions of acres of new settlement yearly? A still larger and more serious question is, what has the twentieth century in store for the British Empire? What is to be the final outcome of our constitutional crisis, our naval scares, our Lloyd George budgets, our Tariff Reform controversies, and our educational muddles?

In the following pages the reader need not look for solutions of these grave problems. The humbler aim of the writer will be to describe them truthfully, and to impress them on the attention of a careless public, which has no patience to study them even superficially. In order to give them a chance of adequate appreciation they must, it appears, be

reduced to their simplest elements. At the same time they need to be properly grouped, and shown in their varied relations with each other. There had been a great deal too much random discussion of isolated points, like fiscal preference, immigration, and naval defence. If the Mother Country and the Oversea Dominions are ever to reach a definite agreement, good for all time and all foreseeable contingencies, it must be sought for on a broader and more comprehensive platform than has yet been adopted.

The first question to settle is—Do we all honestly and sincerely desire the establishment of an organised Empire, in which every bit of British territory, however remote or insignificant, will have its relative place? Unless we do, the British Empire will run a great risk of being talked to death by its would-be reorganisers. We are getting nearer and nearer to the parting of the ways, when this momentous issue will have to be decided once for all. Hitherto it has been left very much to the colonies, as if it concerned them only. The Mother Country has allowed herself to be gradually pushed aside as if she were only a disinterested spectator of the struggle. The most imperial question she has had to face since the fatal quarrel which cost her her first American colonies is being treated in a way that ominously recalls the blunders and fatuities of that unhappy time.

On one side we have, as then, colonists who

thoroughly understand their position and their opportunities. On the other side we have, as then, a so-called Imperial Government and an Imperial Legislature sunk over head and ears in parochialism. The future relations of Canada to the Empire are infinitely more important to both than nine out of ten subjects on which the British Parliament spends its time and energy. Next to the vital question of national defence, it is the most urgent of our political problems. But the House of Commons is too busy with faction fighting and vote-catching schemes to have a thought to spare for it. Even the House of Lords only on rare occasions devotes an hour or two of its stately leisure to this or any other colonial problem.

In the last three Parliaments the name of Canada has been heard more seldom than ever at Westminster. It has not a grateful sound to the ruling politicians of the day. When it is heard at long intervals the occasion is sure to be some trumpery detail of emigration or an academic quibble about fiscal preference. The cardinal issue of Canada's future position, whether inside or outside of the Empire, is tacitly ignored on all sides. From such systematic indifference and neglect the Canadians are almost entitled to conclude that the Mother Country has no interest in their future and leaves it entirely to themselves. That, at all events, is the conclusion they are drawing—and acting

upon. They know their own minds, and they know also how hazy and impotent are even the best minds on the other side.

They assume that they are going to have their own way right through to the fulfilment of their destiny, whatever that may be. The old country is simply to look on while they achieve step by step their national apotheosis. It is to raise no objections, and offer no opposition. It is not even to take precautions for the protection of British interests. That precautions are needed has been abundantly proved in recent financial operations of provincial and municipal authorities. But so far they have passed unnoticed at Westminster, if not in the City. The opinion of the City regarding them has been practically indicated, but in order to have lasting effect that should be followed up by corresponding action in higher quarters.

The policy of gradual emancipation which is being pursued not only at Ottawa but at several of the provincial capitals proceeds on two inadmissible assumptions—the first, that modern Canada is the creation of Canadian politicians; and the second, that the existing population of Canada are its absolute and irresponsible owners. In pursuance of these highly disputable principles Canadian politicians are severing one by one the ties which bind the Dominion to the Empire. In the lifetime of the present generation they have set up a military force of their

own; they have successfully claimed the right to negotiate directly with foreign Governments; they are planning for a navy of their own; and there is a movement on foot for stopping appeals to the Privy Council.

When the Canadians get their own army, navy, Judiciary and Foreign Office, what will remain of their connection with the British Empire? Simply a nominal allegiance to the British Crown — as nebulous a bond as that which holds together the two halves of the Austro-Hungarian Empire. To the founders of the Canadian Confederation this would have been an impossible, an inconceivable situation. It can be easily imagined what Sir John Macdonald and even the Grit leaders of that day would have thought of it. And yet it has taken Canada little more than forty years to advance thus far from the starting-point of 1867. In that short period it has completely shed its colonial feathers and assumed a "national" coat-of-arms.

By what miraculous means did it accomplish this wonderful transformation? Was it the politicians at Ottawa, Montreal, and Toronto who worked the miracle? Or was it done by the millionaires who exploited the railways, the timber limits, and the Government contracts? It was neither of these, nor was it the homesteaders who crowded into the North-West in the wake of the railways. The latter doubtless

did their share, and a very considerable share, but they could have achieved little until the boundless prairie was thrown open to them. And that was done not by Canadian politicians but in the first place by British legislation, and in the second by British capital.

The starting-point of Modern Canada—"Twentieth Century Canada," as it has christened itself—was the Confederation of 1867. Before that it formed only two of a group of half a dozen colonies officially styled The Provinces of British North America. One of these was on the Pacific Coast, and did not join the Confederation till several years later. It is now British Columbia, one of the largest and most prosperous members of the group. Canada proper embraced only the five colonies on the Atlantic side—Ontario, Quebec, Nova Scotia, New Brunswick, and Prince Edward Island. Its western limit was the head of Lake Superior, and all the country beyond that to the Rocky Mountains was still held by the Hudson's Bay Company. Apart from the £300,000 paid for that Company's rights, the vast North-West was a free gift from the Mother Country to the new Dominion.

Probably very few Canadians of the present day are aware of these interesting facts. Fewer still may realise what an important effect they had on Canadian history. Without the North-West there could have been no "Twentieth

Century Canada," and the North-West was given by the British people to their Canadian cousins little more than forty years ago. At that time there were less than two million souls all told in British North America. The Imperial Government arranged with the Hudson's Bay Company to commute its rights for a cash payment of £300,000 and so many sections of land south of the Saskatchewan River. Having recovered the whole territory for the Crown, it might have proceeded to plant new colonies in it without any reference to any existing colonies in the East. Wisely or unwisely, it chose the easier course—to hand it all over to the new Confederation.

So little importance was then attached on either side to the great North-West that the original Confederation Act did not clearly provide for its political organisation. Four years later a Declaratory Act had to be passed giving the Dominion Parliament power to establish provinces there and to legislate for settled territory lying outside of such provinces. Meanwhile a special Imperial Act had provided for the government of Manitoba, and the right of the Canadian Parliament to interfere with it was expressly limited. Manitoba, in fact, began its political life as a Crown colony. It is a moot point indeed if all the provinces are not constitutionally independent of the Federal authority. That is a nice legal question which

is coming to the front. It has already produced some parliamentary fencing between Ottawa and Toronto. It will be a sweet morsel for the Privy Council should it ever come over, but the Canadian politicians will keep it to themselves as long as they can. It is not their interest to magnify the Privy Council or any other outside tribunal.

The five confederated colonies had an area of 613,000 square miles. To that the Imperial Government added fully three million square miles in the North-West. For every acre they had of their own nearly ten acres were presented to them. It will be admitted that that was a good start in business. But land without men and money to settle it is of little value. A channel had to be made for the men and money to get in, consequently a trans-continental railway was one of the essential conditions of confederation. Here the Canadian politicians had their opportunity. The building of the Canadian Pacific Railway was their first fling in high finance, and need we recall what a mess they made of it? Their special contribution to "Twentieth Century Canada" was the fierce party war carried on for nearly ten years at Ottawa over the odd lengths of trans-continental railway built by the Government.

A competent and by no means unfriendly critic, Sir Sandford Fleming, the then engineer-in-chief of the line, characterised this episode in the

development of the North-West in strong but appropriate language:—

> The Canadian Pacific Railway [he wrote] has been considered a political question during three administrations, and has played an important part in party warfare. Every year since 1871, motion after motion has been made in Parliament relating to engineering operations and the mode of conducting the work. Seldom have there been such acrimonious discussions. Frequently the whole debate was dictated by the party results supposed to be obtainable.[1]

In the same chapter there is a passage which, though written in 1884, is equally applicable to the political situation of the present day. It might have been written by an independent critic of the electioneering campaign of 1908:—

> The difficulty of our present system lies in the fact that the interests of party must be consulted whatever the cost, whatever the sacrifice. Party takes precedence of every other consideration. Public men seem to act on the principle that there is one creed and language for the hustings, the press, and Parliament, and another for social intercourse.

After fighting over the Canadian Pacific Railway for nearly ten years, the politicians had to call in business men to their help. A syndicate which had built a very successful road in Minnesota was asked to take it over and finish it. They got their own terms, which turned out to

[1] England and Canada. By Sandford Fleming, C.E.

be the most generous terms ever granted to speculative railway builders. The syndicate consisted chiefly of Scotchmen and Scottish Canadians. The bulk of the money was obtained in Europe. The only purely Canadian element in the case was the political squabbling and mud-throwing. That went on until the railway and its builders rose out of reach of the mud-throwers, and then it became a great Canadian institution. Its after-dinner title nowadays is "the railway that made a nation." But not ten per cent of its capital is owned in Canada.

In the next place, what made the Canadian Pacific Railway such a phenomenal success? Again the Canadian politicians must be reminded that they had little to do with it. The secret of the rapid development of the North-West is very simple. It was the same magic that turned to gold the prairie lands of the Pacific States—namely, a profitable market for cereals. Neither Canada nor the United States created that market for themselves; Europe provided it for them. By far the largest consumer of Canadian and American bread-stuffs is Great Britain; consequently the same country which furnished the land and the capital with which the North-West has been developed provided the market that rendered the development profitable.

Without these three factors—the Hudson's Bay agreement, the Canadian Pacific Railway,

and dollar wheat—there could have been no "Twentieth Century Canada." The Canadians may be reminded that while the North-Western provinces have been growing by leaps and bounds, the eastern provinces have advanced slowly, and in some cases not at all. But for the three million square miles of land which was the christening gift of the Imperial Government to the Confederation, there could have been no Canadian Pacific Railway, and without the railway there could have been no Saskatchewan or Alberta. It is true there might have been a Winnipeg, a Regina, and a Calgary; but they would have been American towns, served by American railways.

When the Canadians talk as if they, and they alone, had made their country what it is to-day, it is permissible to remind them of a few things they seem to have forgotten in the past forty years of their history. When they flatter themselves that they are going ahead of the old country, and working out a grand destiny for themselves, let them stop a moment and consider what would happen to the North-West if wheat fell back to 60 cents a bushel, and other cereals proportionately. Where would the twenty dollars per acre farm lands and the thousand dollars a foot town lots be then? Two events are not inconceivable, which would upset the whole fabric of land values in the North-West. One is that new virgin wheat-fields may be developed, and the other that the

output of existing fields may be greatly increased. A third contingency is worth mentioning—that the domestic food production of Great Britain may be immensely increased in the near future.

Agrarian legislation and war scares are directing the thoughts of the British people back to the land, and there is no saying what surprises the old country may yet have in store for its kindred over the seas. It can hardly expect to repeat the brilliant feat it performed in the reign of "Farmer George," when the home production of food was quadrupled in half a century; but much less than that would cause an appreciable decrease in the quantity we require to import. Even on the food question the old country has not yet played its last card; and there is another in which it continues to hold most of the trumps —it is the money question.

Canadian enterprise is frankly acknowledged and admired all the world over, and nowhere more so than in London. But London still holds the purse-strings, and occasionally realises that it is advisable to keep a tighter hold on them than Canadian borrowers relish. This is a tender subject on which misunderstandings have arisen, which, for the common benefit, it is highly desirable to clear up. That can only be done by plain speaking at the risk of injury to certain swelled heads and thin skins on the other side of the Atlantic. All rational and reasonable Canadians must see that in financial

operations of such magnitude as theirs lenders must be absolutely assured of a square deal. Neither financiers nor investors have any wish to be mixed up in Canadian politics, whether provincial or municipal. It does not matter to them what may be the rights or the wrongs of a local dispute. They simply object to having their money used as the stakes in a political game.

The Canadians have now two momentous issues before them. One concerns the relations of the Dominion with the Empire, and the other their relations as borrowers with the London money market. It is just possible that in their eagerness to discount the future, they have been straining both sets of relations. While striving in every direction to realise their dream of "Canada for the Canadians," they may have underrated the practical value of the Imperial connection, which they are slipping out of by degrees. In assuming that their credit is so strong that they may take liberties with it, they may also have overrated the simplicity of the British investor.

To be perfectly frank, neither of these positions is quite satisfactory at the present moment. There is a little too much Canada and not quite enough British Empire in Canadian politics. At the same time there is a lot too much politics in Canadian finance. These two conclusions have been forced on the writer by years of close

observation, frequent and extensive journeys through the Dominion, and much personal intercourse with Canadians of all classes. While they may in his case have somewhat restrained the enthusiasm with which British critics are expected to speak and write of Canadian resources, they have made him only the more anxious to do full justice to the wonderful developments of the past decade. If he has been rather more careful than his predecessors to claim for non-Canadians a fair share in the credit of these splendid results, it will be seen that he keeps well within the facts. There have, indeed, been many and various hands engaged in the building up of "Twentieth Century Canada," and the people who now figure at the head of the triumphal procession have not always borne the heat and the burden of the day.

CHAPTER IV.

NATIONAL EVOLUTION ON CANADIAN LINES.

"Daughter in my Mother's house but Mistress in my own."

When Mr Kipling wrote that now hackneyed line he may have had little suspicion of the many political uses to which it was to be turned. The Canadians quickly caught on to it and made it the watchword of sentiments which they would have been slow to put into plain prose. It is now echoed and re-echoed all over the Dominion with thousands of different meanings. It has become the cuckoo note of speeches in Canadian Legislatures, and editorial articles in the Press, French and English.

Everything nowadays is to be done on Canadian lines, whatever that may mean. The new-born army is to be strictly Canadian. The unborn navy is to be Canadian. All domestic legislation is to be purely and absolutely Canadian. Foreign relations are to be all directed from Ottawa. Foreign treaties are to be negotiated by Canadian statesmen for Canadian needs. Tariffs are to

be specially adapted to Canadian trade and industry. If a purely Canadian form of borrowing could be devised free from old-fashioned British scruples and restrictions, "Twentieth Century Canada" would be almost complete.

That is a dazzling policy, especially in its rhetorical stage, which is all the length it has reached yet. No one has presumed to ask Sir Wilfrid Laurier or any other brilliant exponent of "evolution on Canadian lines" what they really mean by it. They have not been called upon for a logical definition of it, still less for an indication of how they intend to carry it out. It is a conjuring spell rather than a policy, an incantation which does duty as a political programme. If it were a real policy suited to the occasion it would indicate what the relations between Canada and the Empire were to be when "national evolution" was fully realised. But there is hardly ever a word said on that essential point.

Apparently all the evolution is to be on the Canadian side. While Canada is improving her position and changing things round to suit herself, the Mother Country is expected to sit still and remain as it is. While Canada is busy reaping solid benefits for herself, the Mother Country is to be content with promises of help in time of need. The game is a little one-sided and the result all too uncertain. From a Canadian point of view it may be practical, especially when as cleverly played as it has been lately, but from the imperial

standpoint it is hazy. Its motto has been very appropriately borrowed from Rudyard Kipling, and Sir Wilfrid Laurier knew well what he was doing when he borrowed it.

"Daughter in my mother's house but mistress in my own" is a captivating sentiment exactly suited to the political platform. Consequently the Canadians have fallen in love with it, and they ring the changes on it wherever they have a chance. Men who would shrink from the thought of a Canadian nation outside the Empire, and only connected with it by a few paper ties, jump at it when it is presented to them in the mother and daughter form. They would spurn it if stated in plain prose, and yet it fascinates them when translated into poetry. Not only editors and politicians yield to the charm, but cool-headed men of business are carried away by it. They mistake a pretty phrase for the solution of an imperial problem.

Stranger still, it has caught the ear of the British public, who understand it even less than the Canadians do. "Daughter in my mother's house but mistress in my own"—what meaning can the poetic phrase have to them? They have no idea what the Canadians mean by it, still less what new meanings they may read into it later on, as the Americans read new meanings into the Monroe doctrine. That, however, is not the fault of the Canadians. They are not hiding their thoughts or doing anything in secret. The

"national evolution on Canadian lines" propaganda is being carried on quite openly. Any one travelling through the Dominion with his eyes and ears open may both see and hear it. He does not even need to cross the Atlantic to find examples of it. The Canadian Press abounds with them, and they are significantly plentiful in the organs of the Dominion Government. That section of the press most devoted to Sir Wilfrid Laurier is continually harping on his favourite quotation—"Daughter in my mother's house but mistress in my own." The 'Toronto Globe' not only endorses the sentiment but occasionally takes a tentative step beyond it. Every fresh assertion that Sir Wilfrid makes of Canadian autonomy the 'Globe' hails as another advance toward "nationhood." What it means by "nationhood" is only hinted at Jesuitically in passages like this:—

> The direction and progress of national evolution thus indicated may be too fast for some and not fast enough for others, but there need be no mistake about either the facts of our progress or its direction. The answer to those who are impatient for "independence" is that our direction is that way, but that it is on the whole better that it should be so slow as to attract little attention and to cause no irritation.

It is true that the 'Toronto Globe' goes a little too fast for most of its contemporaries. They generally snub its feline moves toward independence under the specious name of "nationhood." But that such episodes should be possible is not a

reassuring sign. They do not occur in any other British Dominion or colony claiming to be loyal. Even the Boers have ceased to draw fine distinctions between suzerainty and independence. Neither the Australians nor the New Zealanders have yet begun to harp on "nationhood" as the Laurier organs do. And the reason why is obvious. Their statesmen do not set them the example of continually trying to minimise imperial authority.

That habit has in the past few years advanced far in Canada, and it is still advancing. The first claim made was that in foreign negotiations directly or indirectly affecting Canada the Canadian Government should not merely be consulted but should have a voice of its own. This not unreasonable request was at once granted. Canada has again and again been made a party to imperial negotiations in which she had interests at stake. Then the "nationhood" idea stole another march on us. In arranging their treaty of commerce with France the Canadian Ministers were given a practically free hand. So satisfied are they with the results of that experiment in independent diplomacy that they have now set up a Foreign Department of their own at Ottawa.

This is represented to be purely a matter of convenience. The new Foreign Bureau is to collect and register all documents bearing on the foreign relations of Canada and to furnish the Government with information regarding them

when wanted. Thus rapidly does the idea of "nationhood" develop in congenial soil. That its authors should cultivate it diligently and never miss a chance to promote it we can well understand. But what it is drifting toward and what the end of it is to be who can say? Certainly not the Imperial Ministers, who are thus graciously allowing themselves to be pushed on one side; nor the Parliament, which is as much at sea about the future of Canada as it is about the future of the German navy; nor the British public, which continues to regard Sir Wilfrid Laurier as one of the mainstays of the British Empire.

What the most purblind of Imperial Ministers and Parliaments and even the man in the street should be able to see is that Canada, with all its talk of "nationhood," is drifting away from its imperial moorings. This may be an unconscious movement, or it may be conscious, or it may be simple destiny, but to use the appropriate language of the 'Toronto Globe,' "there need be no mistake about either the fact or its direction." "Nationhood" as it is being practised by the Canadians cannot be carried much farther within the limits of the Empire. The time may therefore come sooner than they think when they will have to choose between following it to its logical issue outside the Empire and magnanimously but illogically remaining a British Dominion.

The gospel of "national evolution" is undoubtedly spreading throughout the Dominion.

It is a clever blend of loyalty and business which may easily lead the unwary astray. It tickles Canadian pride, at the same time salves the Canadian conscience. But like all the previous catchwords which have issued from the same quarter, it is ambiguous. It has not the clear unmistakable ring of the old patriotism of thirty years ago. In order to see through its spacious professions one has only to ask what Sir John Macdonald or any of the other Tory stalwarts of last generation would have had to say to it. How does it compare with the memorable passage in Sir John's first election address issued in 1844?—

> I need scarcely declare my firm belief that the prosperity of Canada depends upon its permanent connection with the Mother Country, and I shall resist to the utmost any attempt—from whatever quarter it may come—which may tend to weaken that union.

And his last election address, issued nearly half a century later, had still the same keynote. At the general election of 1891, which took place a few months before his death, he was again called upon to repudiate an anti-British propaganda. This time the name it assumed was — not "national evolution" — but "universal reciprocity." The reciprocity it had particularly in view, however, was American. Sir John Macdonald repudiated that as vehemently as he had repudiated the naked annexation policy

which was rampant for years after the unsuccessful rebellion of 1837. He denounced it as "veiled treason," and defeated it at the poll, the last of his many political victories. His final utterance on the hustings was one which we never hear nowadays—

> As for myself, my course is clear. A British subject I was born; a British subject I will die.

And for the last time the Canadian people responded with cheers for "the old flag, the old man, and the old policy." That old-fashioned kind of loyalty has disappeared from Canadian politics. It may occasionally be met with in private life, but it is no longer a factor in moulding the relations between the Dominion and the Mother Country. Rhetoric and diplomacy have taken the place of full-blooded, whole-hearted loyalty for its own sake. Evolutionists and opportunists are almost everywhere in the ascendant. They have by turns been annexationists, reciprocitarians, autonomists, and nationalists. What they may develop into next they do not know themselves. But they have drifted pretty far from the Macdonald standpoint.

There may be no conscious or intentional lack of loyalty in the supporters of national evolution. Its most powerful motive may be provincialism, which has always been strong in the older provinces, and is not, as might have been expected, weakening with the growth of national

prosperity. In some respects both Ontario and Quebec become more provincial with age and more jealous of the Dominion Parliament. These divisions generally spring from purely local causes, with which the Imperial Government has nothing to do. Their indirect effect is to intensify and sometimes to embitter the sentiment of local independence prevalent in all the provinces.

As imperial authority declines, provincialism naturally grows. It has not hitherto been strong enough to create serious trouble, but at the present rate of progress that stage will be reached ere long. Its advance will be more and more rapid as the checks exercised on it by the Conservative statesmen of last generation are gradually removed. Sir John Macdonald was an anti-provincialist as well as an ardent loyalist. That was frequently made a ground of attack by his political opponents. It is said by his latest biographer, Dr Parkin, that in the preparatory campaign for confederation which extended from 1859 to 1867 many of the other leaders of public opinion were enamoured only with the effects which union would have on the internal interests of this or the other province. Macdonald saw further, and boldly outlined his vision of Canada as "a nation, a subordinate but still a powerful people, to stand by Britain in North America in peace and war."

Rudyard Kipling had not yet been heard of in those days, and his catch-phrase, "Daughter

in my mother's house but mistress in my own," was still unwritten. It may be doubted if Sir John Macdonald would have taken to it quite so kindly as Sir Wilfrid Laurier does. He rings the changes on it as if it were not merely a poetic gem but the keynote of a new Canadian policy. Whatever policy there may be in it is as old as the hills. Sir Wilfrid's own party acted on it before either he or Rudyard Kipling was born. The Grit leaders always regarded Downing Street as a stepmother, and generally addressed it as such. The Governor-General of the day had often to mediate between them and pour oil on the troubled waters. In this diplomatic art Lord Dufferin was a past-master. Many a protest handed to him by an irate Prime Minister he had to turn aside by skilful invention of constitutional principles to fit the occasion. It is told in his 'Life' that he once had a specially tough encounter of this kind with Mr Mackenzie, the then Liberal Premier. It was worth having, for it produced a summary of the legal relations between the Imperial Government and the Dominion which seems to cover nearly every possible point of difference that can arise between them. It is thus briefly described in Lord Dufferin's 'Life':—

In reply to Mr Mackenzie's protest against dictation from the Colonial Office, Lord Dufferin reminded him that the Colonial Secretary "is the official representative and spokesman of the Power upon whom Canada is

dependent for her nationality, her autonomy, and her protection both by sea and by land, and for whose sake—though this view of the case seems seldom to be considered on this (Canadian) side of the Atlantic—England is content to run perpetual risks and to submit to what many consider humiliating, and all admit to be mortifying, sacrifices."[1]

How much better might Canada and the Mother Country have understood each other to-day if there had been more Governor-Generals like Lord Dufferin, able to put the Downing Street side of the case clearly and convincingly. What he said more than thirty years ago to Prime Minister Mackenzie might be repeated any day to Sir Wilfrid Laurier. It is the often-forgotten counterpart of the Rudyard Kipling motto. When Canada proudly tells us she is "daughter in her mother's house but mistress in her own," the mother may be permitted to remind her on whom she depends for "her nationality, her autonomy, and her protection both by sea and land." Without the British Empire behind them neither the local militia nor the marine might be much of a protection for her thousand miles of boundary and her forty or fifty seaports.

Of late Canada has shown some disposition to insist less strenuously and exclusively on her local rights. In the recent discussions on the German naval scare the Canadian point of view was still predominant, but that of the Empire

[1] Life of Lord Dufferin, vol. i. p. 269.

was incidentally recognised. Sir Wilfrid Laurier was more than usually skilful in his favourite art of patting the Empire on the back and assuring it that Canada would stand by it in all its foreign troubles. If Hamlet had been in the Dominion Parliament during the full-dress debate on Mr Foster's resolution that "Canada should no longer delay in assuming her proper share of the financial burden incident to the protection of her exposed coast-line and great seaports," he might have been tempted to say at the end of Sir Wilfrid Laurier's eloquent periods—"Words, words, words."

Then as always Sir Wilfrid's rhetoric struck a higher note than his real policy. His peroration ended with an assurance to the old country that "the supremacy of the British Empire is absolutely essential." But he had taken care to explain beforehand that "although they (the colonies) might have a common aim, each had reserved to itself the duty and right to develop its own resources and to attain its aim according to its own views and by its own methods."

Thus even in the all-important matter of imperial defence Canada is to be "mistress in her own house"—according to Sir Wilfrid Laurier. The Conservative leaders, Mr Borden and Mr Foster, did not endorse that exclusively Canadian view. They told the Dominion Parliament a few home truths about the past history

of Canada in this connection. Hitherto, said Mr Foster—

> We have been busy conquering the soil, but development is not defence. We have developed this country simply for ourselves. We have built great lines of railway, but these were for the carrying of our own resources. It is true we have developed a military system, but there is much yet to be done. As regards naval defence we have done nothing.

The upshot of the debate, which the local press described as a "unanimous message of imperial loyalty," was that Canada reiterated the position she assumed at the Colonial Conference of 1902, namely, that each colony should provide for its defence in its own way. And that is the position which will doubtless be taken up by Sir Wilfrid Laurier and Mr Fielding at all future Imperial Conferences. What agreement is possible between an Imperial Government which "bangs, bolts, and bars the door" against fiscal preference and a Colonial Government whose fundamental principle is that Canada must be mistress in her own house?

In reading these academic debates at Ottawa, one cannot help wondering what the reply of the Old Guard of thirty years ago would have been to such a call from the Empire. What Sir John Macdonald would have said in Sir Wilfrid Laurier's place we can gather from what he actually did say on similar occasions. In defend-

ing himself from the charge that he had sacrificed Canadian interests in the Treaty of Washington in 1871, he indignantly exclaimed:—

> And if England does call upon us to make a financial sacrifice, if she does find that for the good of the Empire we, England's first colony, should sacrifice something, I say that we should be unworthy of our proud position if we were not prepared to do so. I hope to live to see the day, and if I do not, that my son may be spared to see Canada the right hand of England; to see Canada a powerful auxiliary to the Empire, not, as now, a cause of anxiety and a source of danger.

There are few echoes of these dead voices in the Canadian politics of our own day. We have now epigrams in place of definite pledges, and Canadian ideals are substituted for imperial ideals. It is difficult to repress a fear that in the long-run "national evolution on Canadian lines" may mean that Canada is to remain in the Empire only at her own pleasure and on her own terms.

CHAPTER V.

THE BRITISH NORTH AMERICA ACT.

To the casual reader "British North America" may be a strange and even a puzzling title. Especially to the British politician will it be unfamiliar, for both the name and what it represents have almost entirely disappeared from his range of thought. British India he knows, and British South Africa he has heard of, but British North America sounds to him like the empty echo of a bygone political age. A title which once called up loyal and loving visions of the Mother Country, and awoke historical associations to be proud of, has lost itself in a meaningless name of purely local interest. Even to the Canadians themselves "Canada" has few thrilling or inspiring associations compared with those which were gathering round the old name when it prematurely lapsed. To the Nova Scotians, the New Brunswickers, and the Newfoundlanders it makes no appeal whatever. On the contrary, it stirs up half-smothered feelings of jealousy. The pioneers of Manitoba, Saskatchewan, and Alberta are not

half as much drawn to Ottawa or Toronto as they are to Westminster.

That a name without any distinctive meaning or historical interest should have spread itself over fully three million square miles of country, stretching from Niagara River to the Arctic Ocean, is one of the strangest of political anomalies. When we begin to inquire how it happened, still stranger anomalies meet us. Its adoption was one of the careless, short-sighted blunders of an age of slip-shod statesmanship. It is not, in fact, the proper title which the authors of the Confederation Act had in their minds, but only a sub-title intended for familiar use. Previous to the Confederation movement, the whole group of colonies—Ontario, Quebec, Nova Scotia, New Brunswick, Prince Edward's Island, and Newfoundland—had been always officially described as the "Provinces of British North America." By that title they were invited to the conferences at which federation was agreed upon. The Act of Union passed by the Imperial Parliament was officially styled "The British North America Act of 1867," and as such it has always been known to the present day.

Why, it will naturally be asked, did the original and proper title of British North America so quickly give place to a secondary title? Simply because the Ontario and Quebec politicians who engineered the union were much too smart for the Imperial statesmen who sanctioned it and gave it their blessing. In the days when the acme of

Liberal policy was to encourage the colonies "to cut the painter," it did not matter a straw to Downing Street what the new combination called itself. Very likely the Act was drafted at Toronto, and when Mr Cardwell had the rough draft submitted to him in 1864, his unsuspecting eye would run lightly over the pitfalls in it. Knowing little and caring less about the future possibilities of the half continent which he was giving away, he may not have stopped to ask questions about the baptismal clause, which ran as follows:—

> It shall be lawful for the Queen, by and with the advice of Her Majesty's Most Honourable Privy Council, to declare by proclamation that on and after a day thereon appointed, not being more than six months after the passing of this Act, the Provinces of Canada, Nova Scotia, and New Brunswick shall form and be one Dominion under the name of Canada.

By Clause 146 the Queen was further empowered, "by and with the consent of Her Majesty's Most Honourable Privy Council," to admit the other colonies or provinces, also Rupert's Land and the North-Western Territory. Thus did Downing Street, with incredible blindness, give away to the astute inhabitants of Ontario and Quebec, who then numbered less than three million souls, a huge slice of the British Empire measuring three million square miles. Twenty times as much British territory was deliberately sacrificed under the Confederation Act of 1867 as was lost through the revolt of

the American colonies. Not only was half a continent given away absolutely and unreservedly, but the old historical name of it was wiped out, and to-day it is practically forgotton. For "British North America" was substituted "Canada"—a word borrowed by the original French settlers from the Indians, and said to mean a village or collection of huts!

Merely as a freak of ethnology, the transformation was absurd enough, but there is a more serious side to it. It has had grave political and imperial consequences. If the proper name "British North America," or "British America" for short, had been retained, who can doubt that it would have had a wholesome influence both at home and in Canada? We on our side would always have felt more warmly toward cousins who bore the old family name and continued to be proud of it. The Canadians on their side would have had something definite and tangible to hold on to. They might have been better able to resist the temptations to national self-assertion which are evidently multiplying among them and growing stronger year by year.

Possibly our statesmen of to-day are about as blind to the tendencies of Canadian politics as their predecessors of last generation were to the momentous consequences involved in the slip-shod provisions of the Confederation Act. Certain it is that British North America is now a very different place from what it might have been if

the old family name had been retained and if the suzerainty it implied had been judiciously exercised. As it is, both nominal and actual authority have been thrown away. Canada has become, to all intents and purposes, an independent nation. It is governed on that assumption by Ottawa politicians, and its laws have the slightest possible reference to Downing Street. Wherever any risk occurs of imperial intervention it is carefully fenced off beforehand.

At first these clever assumptions of local authority were limited to secondary questions of commercial treaties and such-like, but their latest manifestation goes far beyond that. It touches the very soul and essence of British suzerainty. In the Naval Bill which lately emerged from the Dominion Assembly, after two months' discussion, there is a clause, which was moved by Sir Wilfrid Laurier himself, to the effect that, in the event of a British war, the Canadian Navy should do nothing without an Order in Council of the Governor-General. In practice this would mean without the consent of the Dominion Government for the time being. Plainly put, it is full-blown Canadianism, and on this Act of the Dominion Parliament being confirmed by the Imperial Government, Canada will become simply a contingent ally of Great Britain.

Canadian history is full of romance — the romance of war, of exploration, of trade, of

railway building, and of human enterprise in every form. But among its many brilliant episodes there is none more striking than the birth of the Dominion: so humble in its beginnings and so modest in its expectations that the Canadians of to-day might do well to read that old chapter over again when the boom fever is unusually strong on them. In 1867 they were three millions of people; they now claim to be nearly eight millions. The four provinces which first entered the Confederation had only 600,000 square miles of territory amongst them. The Imperial Government made them a christening present of three million square miles. All the country west of Lake Superior was still held by the Hudson's Bay Company under its original grant from Charles the Second. It contained only seven thousand souls—all nomads, with the exception of the Company's staff. Fur traders, missionaries, and Indians roamed at will from the Red River to Port Simpson.

After buying out the Hudson's Bay Company, the Canadians had the free run of the North-West. But it is open to question if an absolute gift of the three million square miles of land it contained was intended to be made to them. The original provinces were granted local self-government within their existing territories. Ten years before (1858) a separate colony had been established on the Pacific coast under the name of British Columbia. Four years later (1871) a

supplementary Act was passed by the Imperial Parliament empowering the Parliament of Canada "from time to time to establish new Provinces in any Territories forming part of the Dominion of Canada, but not included in any Province thereof." These Acts provided for local government only. They did not expressly assign to the Dominion any land outside of its own boundaries. The boundless prairie was so little esteemed in Downing Street forty years ago that no one ever thought it worth mentioning. It went with the people instead of, as in the old days, the people going with the land—three million square miles to as many millions of lucky settlers!

The Confederation Act of 1867, officially styled the "British North America Act," had a very different Canada to deal with from that of to-day. It would, of course, be a very different Act if it were being framed now to apply to existing conditions. It contains many omissions which could now be filled up. It leaves vague and uncertain many points which could now be made definite. It practically ignores vast geographical areas which are now being rapidly settled and brought under cultivation. The Confederation of 1867 joined up in a loose, tentative way five provinces which were comparative strangers to each other. Downing Street had hitherto been the chief link between them, and real union did not follow until a network of railways was thrown over them and gave them

physical union, the first essential condition of nationhood, as they are fond of calling it.

Physically, Canada has achieved national status, but that is only one step in a long course of evolution. The development of strong national feeling is another, and this, though rapidly developing in the east, is by no means so unmistakable in the mixed settlements of the North-West. Strange rumours have lately come from there of American parents objecting to their children being taught to sing "Rule Britannia" in the public schools. But the most backward point in the national evolution of Canada is undoubtedly political organisation. That was of necessity very imperfectly provided for in the Confederation Act, and nearly half a century of practical experience has revealed many defects and omissions. The internal and external relations which it vaguely outlined have produced a considerable amount of friction and controversy. Disputed points have accumulated in course of years to such an extent that the working of the constitution is badly hampered by them.

Both the Dominion and the Provincial Governments are beginning to find the situation irksome. The latter especially are becoming impatient of it, as the following curious communication from the Canadian correspondent of 'The Times'[1] indicates:—

[1] 29th November 1910.

It will be remembered that Sir Wilfrid Laurier advised the makers of the South African Constitution to beware of "concurrent jurisdiction." It is found as the Canadian Confederation grows older that on many subjects both the Provinces and the Dominion have authority to legislate. In the years immediately succeeding Confederation, the disposition was to leave a large reserve of power in the hands of the Provincial Governments. The old Parliament of United Canada was hardly more than a local body, and it was natural that the Legislatures should assume to exercise much of the authority which was vested in the pre-Confederation House. This was the case also in Nova Scotia and New Brunswick. But as the years pass the Dominion Government gradually invades the jurisdiction of the Provinces, or at least assumes to exercise equal powers in fields where the Legislatures believed they had the sole right of action. As a consequence there is growing irritation and confusion, and necessarily increasing uncertainty as to the respective powers of the Legislatures and the Federal Parliament.

In order to put an end to this confusion and uncertainty the Legislatures will appeal to the Privy Council for a more definite interpretation of the clauses of the Constitution defining Provincial and Federal rights and powers. The Provinces object to the Supreme Courts passing judgment, at the instance of the Dominion Government, on questions of dispute between the Federal and Provincial authorities; but the Supreme Court has held, in spite of these objections, that it is competent to act notwithstanding that the questions arise under the British North America Act. The appeal of the Provinces, therefore, will be against the jurisdiction of the Supreme Court, as well as for a definition of the respective legislative powers of the Dominion and Provincial Governments.

The powers referred to are set forth in Section VI. of the Confederation Act. Clause 91 assigns 29 classes of subjects to the Dominion Parliament, and Clause 92 enumerates 16 other classes as falling within the jurisdiction of the Provincial Legislatures. The latter are :—

1. Amendments of the Provincial Constitution.
2. Direct taxation within the Province for provincial purposes.
3. Borrowing money on the sole credit of the Province.
4. The establishment and tenure of provincial offices.
5. The management and sale of public lands.
6. The administration of reformatories and public provinces.
7. Hospitals, asylums, charities, &c.
8. Municipal institutions in the Province.
9. Licenses of shops, saloons, taverns, &c., for the purpose of raising provincial or municipal revenue.
10. Certain kinds of local works and undertakings.
11. The incorporation of joint-stock companies with provincial objects.
12. Solemnisation of marriage within the Province.
13. Property and civil rights in the Province.
14. The administration of justice within the Province.
15. The infliction of penalties and punishments.
16. "And generally all matters of a merely local or private nature in the Province."

Of the above sixteen classes of subjects, three-fourths are undeniably provincial, and could not possibly occasion disputes with the Dominion Government. The contentious ones are the first, thirteenth, fourteenth, and sixteenth. The one

that is going to give most trouble is the thirteenth article, referring to property and civil rights in the Province. The administration of justice is closely allied with it. They are, indeed, two branches of the same subject. The sixteenth and last article is very sweeping, no attempt being made to define "matters of a merely local and private nature."

The crux of the question, however, is article thirteen, relating to property and civil rights in the Province. That sacred domain has been invaded by more than one Provincial Government, and the Dominion authorities have declined to check the invasion. Again and again they have been asked in vain to disallow Provincial legislation, which not only encroached on private liberty and property, but were prejudicial to the credit and the best interests of the Dominion as a whole. They have not merely declined to do that, but they have advertised their belief that the Provincial Legislatures are as independent and irresponsible as the Dominion Parliament itself.

On the latest occasion, when the Dominion Government was asked to exercise its veto—namely, on an Ontario Act for validating contracts which the courts had pronounced invalid—the Attorney-General of the Province protested that such action would be unprecedented and disastrous. He asserted in the strongest and most unqualified terms the right of the Provincial

Legislatures to pass any kind of laws they thought fit on subjects within their specified jurisdiction. For this extraordinary doctrine he cited the authority of a series of Dominion Ministers of Justice, ending with the present Minister, Sir A. B. Aylesworth. In his report on a previous petition to disallow two Ontario statutes, he had said that—

> A Provincial Legislature, having, as is given to it by the terms of the British North America Act, full and absolute control over property and civil rights within the Province, might, if it saw fit to do so, repeal Magna Charta itself. I know no difference between that most sacred bulwark of liberty and of property and any piece of legislation. I take it that no one would dispute the power of a Provincial Legislature to repeal the Habeas Corpus Act or any other charter of liberty which Englishmen possess ; and in precisely the same view I take the ground that rights of property are subject only to the control of the Provincial Legislatures within Canada.

The phrase "property and civil rights" derives a touch of irony from the fact that it was imported into the Confederation Act from an Imperial Statute of 1792, by which the laws of England were made the birthright of every citizen of Canada. It was entitled, "An Act Respecting Property and Civil Rights," and its main provision was that—

> In all matters of controversy relative to property and civil rights resort shall continue to be had to the laws of

England as they stood on the fifteenth day of October 1792, as the rule for the decision of the same.

In the position now assumed by the Provincial Governments, with the sanction of the legal advisers of the Dominion Government, the above guarantee of personal property and civil rights has not merely been abolished, it has been practically reversed. What was originally intended as a protection for the individual citizen has been converted into a legal doctrine which places him and his property at the mercy of a chance majority of a local Legislature. In its simplest form this would have been tyrannical. The mere claim of a local Legislature to such arbitrary powers would have been bad enough, but to make it absolute, final, and beyond appeal to any higher authority, was parochial Czardom gone mad. And yet the Provincial politicians are not content. They are all fighting for provincial rights of the most varied kinds and degrees—rights over private property, rights to override the justiciary, rights against each other, and above all, the right to snap their fingers at the Dominion Government. As for the Imperial Government, it is a mere Grand Lama to them.

The legislative powers of the Provincial Parliaments were so wide to start with that there was small excuse for provincial politicians trying to widen them as they have been doing of late. But as a check on them a large power of disallow-

ance was conferred on the Governor-General in Council. At least, so the first generation of Canadian jurists thought and taught. Dr Bourinot, the May of the Dominion Parliament, published in 1888 a very lucid manual of the constitutional history of Canada, in which he said, with reference to the disallowance of provincial Acts: "It is now admitted beyond dispute that the power of confirming or disallowing provincial Acts has been vested by law absolutely and exclusively in the Governor-General in Council."

The Liberals of that day, under the leadership of Mr Edward Blake, held that the Governor-General could only exercise this power with the advice and approval of his responsible Ministers. Later on they made it a Ministerial function, and it is so regarded still. But the ultimate right of appeal to the Privy Council has not yet been interfered with. Its turn has still to come. In the evolution of the new doctrine of "nationhood" old axioms and authorities are being pushed on one side. Provincial Legislatures are every session standing up for greater autonomy and independence. What is being developed is a self-contradictory mixture of nationalism and provincialism.

Having thus frankly criticised the excessive provincialism of Canadian politics, we as frankly admit that at the outset the Provincial Governments having been first in the field naturally fared best under the new régime. They were in exist-

ence while the Dominion Government had to be created. They were in possession, and gave up as little as they possibly could to the new authority set over them. Their position, in short, was analogous to that of the thirteen American States in the original confederation. The distribution of legislative powers between the old and the new authorities could hardly be either scientific or wholly satisfactory. It was, after prolonged discussion among the fathers of confederation, affected in a different way to that which had been adopted in the United States. In the latter case specific subjects of jurisdiction were assigned to the Federal Government, and the rest were reserved by the States. In Canada both the Federal and the Provincial Parliaments had specific spheres marked out for them.

These two arrangements have developed opposite dangers and defects. In the United States there has been a continual struggle of the Federal authorities to circumscribe State rights, while in Canada the Provincial Governments make common cause against the Dominion Government. The two contests are still going on, and will probably endure as long as the political systems which produced them. But no issue so terrible as that which caused the American Civil War is likely to arise in the Dominion.

It may be gathered from the foregoing statement of the grievances of the Provincial authorities that they are partly judicial and partly commer-

cial. The most significant of them is the claim of the Provinces to be relieved from the often inconvenient and embarrassing jurisdiction of the Supreme Court. If that were abolished the jurisdiction of the Imperial Courts would of course disappear along with it. With Gilbertian humour it is proposed to refer this knotty question to the Privy Council, which would be itself involved in the issue. In shutting off the highest courts in Canada, the Provincial politicians would of course block the channel to every higher court outside of Canada.

In view of the large amount of litigation to which the British North America Act has given rise, and of the very discordant interpretations it has received in the highest courts of the Empire, the wonder is that a thorough revision of it was not demanded long ago. The Canadians themselves have suffered not a little from these discordant oracles, and have borne them with surprising patience. They must not, however, expect British investors to be equally forbearing. Ontarians may find in the omnipotence of their Legislative Assembly a source of pride keen enough to console them for an occasional misuse of its power. But victims outside of Ontario cannot share that consolation.

The time has undoubtedly arrived for a revision of the British North America Act in order to bring it up to date. Such a reform would be a useful and appropriate prelude to the jubilee of

the Dominion, which falls due in 1917. It would also be a fit subject for the Imperial and Dominion Ministers to discuss when the latter come over to the Coronation Conference next June. But it is very doubtful whether either of them will be quite ready to come to close grips on the subject. It is altogether too practical a problem for an age of electioneering frenzy and revolutionary fever.

CHAPTER VI.

DECENTRALISATION AND PROVINCIALISM.

The most obvious and indisputable defect of the British North America Act, as recently interpreted both by local and imperial authorities, is the encouragement it gives to decentralising and provincialising tendencies. Imperial control over Dominion legislation has reduced itself to a pious opinion. The Dominion Government in its turn seems equally anxious to rid itself of responsibility for anything that provincial politicians may see fit to do. With the tacit sanction and encouragement of their nominal suzerains the Provinces are asserting their independence within the limits set for them in the Confederation Act.

Unfortunately the Canadians are not fully alive to the trouble that lies ahead of them in this direction. They are not qualifying themselves for imperial leadership any more than the Westminster politicians are. Instead of striving to knit together their various provinces under a central authority, supreme both in fact and in

theory, they are giving way to the most suicidal of decentralising tendencies. The Dominion Government virtually repudiates its responsibilities as head of the State. It gives a free hand to the provincial politicians, and not only declines to interfere with their violations of ordinary law and justice, but preaches to them a gospel of local independence, which, if logically carried out, would lead to anarchy.

Merely as a Dominion question, this is the most foolish policy conceivable, and its foolishness is already beginning to come home to its authors. But as an imperial matter it is infinitely more serious. The place which Canada, or Australia, or South Africa is to hold ultimately in the Empire will depend largely on the strength of their internal organisation. The ability with which they manage their domestic affairs will be the measure of their imperial influence. So far none of them promises much better than the Mother Country herself. In the case of Australia and South Africa it is too early yet to judge, but the Canadians have over forty years of political experience, and the Dominion should now have some definite idea of its future course. It should know whether the governing principles it has adopted are likely to produce consolidation or disintegration.

On that point recent events in Ontario and British Columbia throw a sinister light. They assert the doctrine of provincial rights in its

most extravagant and destructive form. They go farther than the wildest partisans of State rights ever did on the other side of the line. Neither Jackson nor Calhoun ever went so far as Sir James Whitney has done in overriding private rights and denying personal justice. But he, instead of being held in check as they were by a powerful and resolute central government, has been aided and abetted in his lawlessness by the authority which ought to have overruled him. He was not only allowed to have his own way, but he was cynically told that he might, if he liked, abolish Magna Charta or the Ten Commandments, provided the electors of Ontario did not object.

The issue which the Dominion Government decided in that remarkable way lay between the Ontario Government and certain investors, British and Canadian. It arose out of an electioneering campaign in which Sir James, after long years of hope deferred, had struck oil on the popular side. Stern Presbyterian morality did not forbid the Ontarians to strain the law for their own benefit, or to make new laws to suit the occasion. But they apparently overlooked the possibility of their new legal doctrine being turned against themselves, as it has been by the sister province of British Columbia.

Provincialism is even stronger and less scrupulous in British Columbia than it is in Ontario. No sooner did Premier MacBride read the

official opinion of the Dominion Attorney-General, that a Provincial Government is responsible only to its electors, than he resolved to go one better than his friend Sir James Whitney. He had a law passed by the British Columbia Legislature, imposing a heavy license-duty on all outsiders doing business in the Province. It did not apply to foreigners or to "Britishers" only, but to everybody east of the Rocky Mountains. Even Ontarians were banned, and, ignoring the fact that they began the game, they are now squealing loudest against their imitators. They had hardly done protesting against any of their provincial laws being disallowed by the Dominion Government when they started an agitation for the disallowance of a British Columbia Act, which is not half as bad as some of their own.

The 'Toronto Globe' of the 13th July has the following tearful wail about the unsisterly conduct of the Pacific province:—

> Attorney-General Bowser, of British Columbia, has positively refused to suspend the operation of the Companies Act of 1910, which practically prevents extra provincial companies from doing business in British Columbia except under conditions that are onerous in the extreme. The Eastern manufacturers and merchants, who have secured legal advice as to the scope of the law, have been assured that even the writing of a letter to a British Columbia house soliciting business is an illegal act, unless the company so soliciting has obtained a license or registration under

the British Columbia law. This is a degree of exclusion altogether undreamt of in the Companies Act of Ontario, on which that of British Columbia was supposed to have been modelled, and makes the Pacific province a sort of commercial Tibet—a walled-in State.

It will be interesting to see what the Ontarians have to say to the Dominion Attorney-General now that the boot is on the other leg, and still more interesting to hear what he has to say to them. The future destiny of Canada may be largely influenced by the issue of this rather absurd-looking quarrel.

A redeeming feature of the muddle is that the Whitney style of legislating to suit the occasion appears to find very little favour either with the bench or the bar of Ontario. Reference has been made to the strong judgments delivered against the "Validating Act." And the bar has not lagged behind the bench in the vigour of its protests. Even the members of the Toronto Stock Exchange were moved to petition the Dominion Government to disallow the obnoxious measure. The 'Law Journal' of Toronto published a number of weighty legal opinions on the subject, all, without exception, adverse to the Government. For English readers, especially if they be holders of Canadian securities, the most significant characteristic of these opinions is the all-round condemnation they pass on the Whitney super laws.

The legal argument against them has been ably

stated by a prominent member of the Toronto bar, Mr C. B. Labbatt. Point by point he has refuted the arguments against disallowance offered by the Dominion Minister of Justice. The latter had broadly alleged that the Dominion Government had no power to disallow an act of the Provincial Legislature—"even though Your Excellency's Ministers considered the legislation unjust or oppressive or in conflict with recognised legal principles." Then he added as to the particular Act under review—

> The legislation in question, even though confiscation of property without compensation, and so an abuse of legislative power, does not fall within the aforesaid enumeration.

Mr Labbatt challenges this conclusion of the Minister of Justice, on the ground that the section of the British North America Act (Clause 56) by which the power of disallowance is conferred is entirely unrestricted in its terms. Identical provision is made for disallowing Provincial legislation and Dominion legislation. Clause 56 says that—

> If the Queen in Council, within two years after the receipt thereof (notification of the Governor-General's assent to a Bill) by the Secretary of State, thinks fit to disallow the Act, such disallowance being signified by the Governor-General by speech or message to each of the Houses of Parliament or by Proclamation, shall annul the Act from and after the day of such signification,

Clause 90 extends certain earlier provisions which had been applied to the Parliament of Canada—namely, those relating to Appropriation and Tax Bills, the Recommendation of Money Votes, the Assent to Bills, the Disallowance of Acts, and the Signification of pleasure on Bills reserved—to the Legislatures of the several Provinces, and makes them apply to the Provincial Legislatures the same as if they had been re-enacted in terms for these Legislatures. In effect the Dominion Parliament and the Provincial Legislatures are put on exactly the same footing as to the above provisions, except that the period within which Provincial laws may be disallowed is to be one year and not two, as with Dominion laws.

It was obviously and unmistakably the intention of the Imperial Parliament in passing the "British North America Act" of 1867 to grant to Governor-Generals precisely the same power of disallowance over Provincial legislation that the Crown reserved to itself in respect of Dominion legislation. The latter is quite unrestricted, and, as Mr Labbatt very conclusively argues, the former is unrestricted also. In both cases unlimited discretion is exercisable, and if the Crown exercises it without question, why should not the Dominion Government? Conversely, if the Dominion Government's right of disallowance is to be open to question, why may not that of the Crown be one day questioned in

similar grounds? The two are identical both in form and substance. Both are Royal prerogatives exercised in different spheres, but on exactly the same terms and under similar conditions. If we were to accept the doctrine of Provincial independence, it would land us in the Gilbertian situation that the Crown can disallow any Acts of the Dominion Parliament without reason assigned, but cannot either directly or indirectly exercise any check on the Provincial Legislatures!

There are, moreover, great political as well as legal issues involved in the question. By tacit consent the Dominion Government has been given a practically free hand in relation to national defence, foreign treaties, fiscal legislation, and other subjects. It is making liberal use of the privilege, and laws have been passed lately in which it is very difficult to discover the slightest trace of Imperial suzerainty. In the Naval Law, for instance, Canada assumes a position suspiciously like that of Hungary to the Dual Monarchy. Against such encroachments the Crown has but one weapon of defence left—namely, the power of disallowing Dominion legislation; but who can think of an Asquith Cabinet screwing up its courage to such a pitch? If it did, who can imagine a Laurier Cabinet tamely submitting to such a snub? Canadians might then argue very plausibly that if Provincial Legislatures are permitted to dispute that power

and to impose restrictions on its exercise, why may not the Dominion Legislature do the same? It is the same power in both cases, resting on the same Imperial statute, and even on the same clause of that statute.

The right of veto cannot be set aside or invalidated as regards the Provincial Legislatures and be fully maintained as regards the Dominion Legislature. If we could imagine the Dominion Parliament condoning breach of contract, violation of private rights, or the denial of justice, precisely the same claim to irresponsibility could be set up for it as has been too hastily conceded to the Ontario Assembly. The irony of such a claim would be sharpened by the fact of the highest legal authorities in Canada having always upheld the right of veto. And the older the authorities—in other words, the nearer they are to the source of the Confederation Act—the more emphatic is their assertion of that right. In 1873, when the Act was only half-a-dozen years old, Chief-Justice Draper had a case before him involving the powers of the Governor-General in this respect. His definition of them makes short work of the scruples of the present Minister of Justice. If applied to Sir James Whitney's anti-Magna Charta laws it would soon settle them also.

If [he said], from oversight or any other cause, provisions should be inserted of an objectionable character, such as the deprivation of innocent parties of actual or

even possible interests by retroactive legislation, such bills are still subject to the consideration of the Governor-General, who, as the representative of the Sovereign, is entrusted with authority to which a corresponding duty attaches to disallow any law contrary to reason or to natural justice.

Sir John A. Macdonald, who knew more than anybody else of the real intentions of the framers of the Confederation Act, frequently used the very words of Chief-Justice Draper in the same connection. It was only as the Confederation Act receded into past history that its interpreters slackened and grew flabby.

Two directly conflicting views as to the status of the Provincial Legislatures may be traced in the judicial decisions relating to them, and also in the constitutional text-books. One is that "the Dominion Government has under the Act of 1867 assumed that control over the respective Provinces which was previously exercised by the Imperial Government."[1] The other is that the Provincial Legislatures are within their own sphere as absolute as the Dominion Legislature is within its constitutional limits. Strange to say, it is the latter view which has been most favoured by the Privy Council. In the numerous conflicts of authority which it has had to decide between the two Legislatures it has sometimes gone far in support of the Province.

[1] Bourinot's 'Constitution of Canada,' p. 90.

In its judgment in an appeal under the Liquor License Act of Ontario, 1883, it said—

> When the British North America Act enacted that there should be a Legislature for Ontario, and that its Legislative Assembly should have exclusive authority to make laws for provincial purposes in relation to the matters enumerated in Section 92, it conferred powers not in any sense to be exercised by delegation from or as agents of the Imperial Parliament, but authority as plenary and as ample within the limits prescribed by Section 92 as the Imperial Parliament possessed and could bestow.

In order to leave no doubt on the subject, the judgment of the Privy Council went on to say that "the local Legislation is supreme and has the same authority as the Imperial Parliament or the Parliament of Canada would have had under like circumstances." That the Privy Council has helped to create the present muddle may be a good point for Sir James Whitney, but it does not help us toward a solution of the deadlock. No one in 1883 could have conceived the possibility of a Provincial Legislature validating breaches of contract and overriding courts of justice, but to-day these abnormal developments have arisen, and the question is how they are to be dealt with. Is there no power to check them?

CHAPTER VII.

DOMINION FINANCE.

The economic revolution which Canada has undergone in the past decade has, of course, changed its whole financial position and prospects. At first blush the change may seem to be wholly for the better. Incomes, both private and public, have greatly increased. All classes of the community appear to be earning more, and they are certainly spending more. Public revenues have expanded along with the others, and so also have public expenditures. A new standard has to be applied to both of them and a fresh balance has to be struck between them. The practical question is, whether the financial strength of the country is greater or smaller than it was before the economic revolution took place.

In endeavouring to answer that question, a very important fact has to be borne in mind—namely, that the national and imperial liabilities of Canada are rapidly growing. That is the crux of the problem so far as public finance is concerned. Canada, of its own accord and from

a commendable sense of duty to the Empire, is undertaking obligations which were hardly thought of ten years ago. If she had continued in the old colonial groove, leaving all external questions of defence to the Mother Country, she might have gone on producing prosperity budgets and piling up big surpluses. But if there must be a Canadian navy as well as a Canadian army, if Canadian ports are to be adequately defended, and Canada is, as she proposes, to assume her full share of the burden of empire, future budgets are going to be very different from what they have been in the past.

The prosaic financial age, which lasted from the birth of the Confederation down to the end of the nineteenth century, is gone for ever. Throughout that period Canada was a quiet-going country, cheaply governed, and, as a rule, in easy circumstances. She was poor but prudent, and if never violently prosperous, was always indisputably solvent. Municipalities frequently overreached themselves—as they may be doing again—but the Dominion and Provincial Governments generally had balances, however small, on the right side. Neither of them had credit high enough to tempt them into lavish borrowing. They launched into no heroic undertakings previous to the Canadian Pacific Railway, and that was forced upon them as the price of British Columbia's entrance into the Confederation.

In the first eight years of Dominion Govern-

ment (1868-75) severe thrift was the rule. The total revenue of the first year did not much exceed 13½ million dollars, and out of that modest amount a surplus of over $200,000 was saved. It was not till 1871 that the revenue approached 20 million dollars ($19,335,000), and then only 16¼ millions of it could be spent. Next year the 20 million dollar line was crossed, the revenue rising to $20,714,000. Both these years produced surpluses exceeding 3 million dollars, which had the usual demoralising effect on the politicians and log-rollers. In 1874 the expenditure shot up over 24 million dollars and the surplus vanished. From 1875 to 1880 were half-a-dozen lean years, distinguished by an unbroken list of deficits, which wiped up all the surpluses of 1871-73.

Then came Canada's first boom period—1881 to 1884. It may be distinguished as the Canadian Pacific Railway boom, though its actual start took place before the famous contract was signed. In three years the Dominion Treasury accumulated surpluses to the amount of fully 18 million dollars. The collapse of 1885-1886 converted nearly half of it into deficits. By this time Canada had got up to a 30 million dollar budget, fully twice as large as the Confederation had started with. But it was still moderate, considering the great extent of territory to be governed. In the quinquennium 1881-1885 the revenue averaged about 32½ million dollars per

annum. For ten years more it remained almost stationary, the average of both quinquennial periods having been only 36 million dollars. There were four good years to off-set four bad ones, the deficits aggregating 12 million dollars and the surpluses 9 millions.

The last five years of the nineteenth century were a transition period from the old Canada to the new. The Dominion revenue improved steadily from 36½ to 51 millions, and it is creditable to the Administration that a considerable portion of the increase was saved. In the three years 1898-1900 inclusive the surpluses aggregated 14½ million dollars. With the new century began a new policy, the effects of which appeared at once both in the revenue and the expenditure. In the quinquennium 1901-1905 they had a sharp increase — the revenue from 52½ to 71 millions and the expenditure from 46¾ to 63 millions. Money poured into the Treasury at such a rate that it did not appear possible to spend it all. In fact, one-sixth of the entire receipts, or 50 million dollars, was added to an already long list of surpluses. The average receipts for the five years were 63 million dollars and the average expenditure barely 54 millions, a fivefold increase as compared with 1868.

It was at the beginning of the twentieth century that Canada "let herself go." The 52 million dollar income of 1900-1 swelled in 1903-4 to 70½ millions. In 1905-6 it crossed

80 millions, and in the boom year—1907-8—it was only a few millions short of the hundred millions. The collapse of 1908 caused a set-back of 11 million dollars, but the ground thus lost was brilliantly recovered in the past fiscal year, 1909-10. It showed a record of 101½ million dollars—very nearly eight times as much as the Dominion had started with in 1868. In this huge expansion there were some notable features. It took about thirteen years for the initial income of the Confederation to double itself. It took twenty-one years to double itself again, which it did with a total of 58 million dollars in 1902. But in the eight years from 1902 to 1910 it nearly doubled itself a third time. From 58 million dollars to 101 millions was an increase of about 75 per cent.

Judged by public revenue, the last three years of the nineteenth century and the first two years of the twentieth were the most flourishing time Canada has ever had. How far, it may be asked, can such a period be regarded as a fair criterion of the financial strength of the country? The answer will have to depend on the comparative permanence or otherwise of the causes which produced that exceptional prosperity; also on the wise or unwise use that is being made of it. The whole financial history of the Confederation must be got into its true perspective. The boom periods and the slump periods must be weighed

against each other and a correct balance struck between them. The different rates of progress and of retrogression must be compared. There have been repeated spurts of prosperity, spells of reaction, and periods of stagnation. The last have been perhaps the longest and the most frequent of the three. How they have followed each other appears very clearly in the subjoined table of Dominion revenues at the end of each quinquennial period from 1870 down to 1900.

DOMINION REVENUE, 1870-1900.

	Taxes.	Other Receipts.	Total.
1870 . . .	$13,087,883	$2,424,243	$15,512,226
1875 . . .	20,664,879	3,983,836	24,648,715
1880 . . .	18,479,577	4,827,830	23,307,407
1885 . . .	25,354,529	7,412,472	32,797,001
1890 . . .	31,587,472	8,292,853	39,879,925
1895 . . .	25,446,199	8,531,930	33,978,129
1900 . . .	38,242,223	12,787,771	51,029,999
1905 . . .	54,020,124	17,162,649	71,882,773
1909-10 . .	75,409,486	26,094,224	105,503,900

Thus there was a sharp set-back in 1875-1880, and a still sharper one in 1890-1895. In the former case the receipts from taxes declined fully two million dollars and in the latter over six millions. The decade 1885 to 1895 was absolutely stationary as regards public revenue. At the end of it receipts from taxes were only sixty thousand dollars more than they had been at the beginning

In 1885 they were $25,384,000, and in 1895 they were still only $25,446,000. But in the interval there had been one or two boom years, which swelled the revenue temporarily. In 1891 it had risen as high as $31,587,000, but from that it dropped to the low total of 1895 ($25,446,000), a decrease of over six million dollars. Happily there was no other such slump as that for a long while. Up to the financial crisis of 1907 fiscal progress was not only rapid but unbroken. Then came a violent set-back, resulting in a decrease of eleven million dollars. From $73,326,000 in 1908 the tax revenue tumbled down to $62,353,000. But that, of course, was an exceptional event.

Again it has to be borne in mind in forecasting the future of the Dominion Treasury that all the immense expansion it exhibits to-day has taken place within the last thirteen or fourteen years. Only since 1895 have the Canadians been able to think and speak in hundreds of millions. Before then tens of millions were large enough for them. It is therefore the fifteen years since 1895 that will give us the best clue to Canada's financial strength and the extent of her resources. From the history of these fifteen years we may best learn the sources of her late-born prosperity, or rather that of the Dominion Government. Without doubt the principal one was the phenomenal growth of the customs revenue. It

rather more than trebled itself between 1895 and 1907, having advanced from $17,600,000 to about 52 millions. In the same period the excise revenue did not do much more than double itself.

All the other branches of Dominion revenue exhibited very moderate growth. The earnings of the Government railways, canals, and other public works advanced very slowly. They had been in 1895 a mere trifle of $3,591,000, and ten years later they were no better than $7,395,000. These ten years had witnessed a marvellous expansion of private railway business, but little of it seems to have reached the Government lines. The postal and money order departments kept pace with the other public services, having nearly doubled during the decade. Their 1895 total of $2,792,790 was gradually raised to $5,125,000, and more than 50 per cent of the increase was clear gain. In 1895 the Post Office spent $3,593,000 in earning $2,792,000, a dead loss of over three quarter million dollars. In 1905 the receipts had increased to $5,125,000 and the expenditure to $4,634,000, thus reducing the loss on the service to under half a million dollars.

What surprises one most in these revenue returns is the very small income derived from the public lands. Up to 1895 it was quite insignificant. Until 1873 it had been too small to mention, and that year's total was only $26,239.

Not till 1898 did it approach a million dollars, and then it advanced more rapidly. In 1899 it exceeded a million and a half of dollars, and for seven or eight years it ranged around that figure. Its record totals were $1,695,000 in 1903 and $1,668,000 in 1906. The grand aggregate for the first forty years of the Confederation was 17 million dollars, or at the rate of $425,000 per annum.

Whoever may have grown rich out of the public lands of the Dominion it has not been the Dominion Government. They have done next to nothing for the relief of the taxpayers. They have been wisely used for railway building and the settlement of the country, but immense areas of them have got into speculative hands. The Australian colonies turned their crown lands to much better account financially than Canada has done. For half a century past they have been getting a minimum price of a pound an acre, while during most of the time the Dominion Government realised only a dollar an acre. The homesteader, the railway builder, and the speculator have got the cream of the public estate. Between 1893 and 1908 the Government sales produced little more than 15 million dollars, while those of the railway and land companies realised fully 62 million dollars. The details of the latter throw a curious light both on the land policy and the financial condition of the Dominion.

CANADIAN LAND SALES BY RAILWAY AND OTHER COMPANIES, 1893–1908.

	Acres.	Value.
Canadian Pacific Railway . .	8,453,730	$35,062,944
Hudson's Bay Company . .	1,514,153	9,484,943
Canadian Northern . . .	1,171,400	6,638,511
Calgary and Edmonton . .	1,240,087	4,454,800
Manitoba South Western . .	1,153,999	4,006,301
Q'Appelle, Long Lake, and Saskatchewan	1,022,915	2,017,224
Great Northern Central . .	213,206	990,963
	14,769,490	$62,655,686

If the Government had large areas of saleable land left at its disposal it might gain rather than lose by having allowed the private holders to sell first, but it is doubtful what the value of the remaining lands may be. And it is passing strange that the annual income from them should grow so slowly. Their average return may be taken at a million and a half dollars gross, less 25 per cent for expenses of survey, management, &c. The net result is not much over a million dollars per annum. The public lands as a source of revenue are, in short, almost negligible. Why this should be so is a mystery, but it is clear enough that what ought to have been a chief source of financial strength for the Dominion Government has simply been an embarrassment and a temptation to wasteful generosity.

It is too late now to alter the fact that customs duties and excise form the backbone of Dominion

finance. By them the capacity of the country to enlarge its future expenditure must be chiefly measured. No doubt much more might be got out of the Government railways if they could be rescued from the hands of the politicians, but that millennium is not yet in sight. Outside of customs, excise, public lands, and public works the Dominion has no source of revenue of any importance. There are many minor sources; the official returns distinguish about a score of them. But most of them yield less than a hundred thousand dollars a-year and only one or two approach a million a-year.

The latter are classified under the heads of fisheries, culler's fees, fines and forfeitures, electric light inspection, Dominion steamers, patent fees, tonnage dues, weights and measures, superannuation funds, penitentiaries, interest on investments, and miscellaneous. Their very names suggest insignificant values and forbid any hope of great expansion. Putting them aside we fall back on customs, excise, public lands, and public works. The Dominion Government has thus a rather narrow financial basis, and only of late years has the revenue shown any marked elasticity. In order to meet all the new burdens continually being imposed, to say nothing of the large imperial obligations about to be assumed, it ought to prove itself very elastic indeed. If not the basis will have to be broadened.

The year ended 31st March 1909 was the most interesting in the recent fiscal history of the Dominion. For various reasons it is specially worthy of study. It put the financial policy of the Government to a severe test, and showed how difficult retrenchment has become no matter how great the necessity for it may be. It might have been expected that such a heavy decline in revenue as eleven million dollars could be partially made good by drastic retrenchment. No doubt the Finance Minister, Mr Fielding, did his duty in that respect. He is a careful conservative financier who fights hard for economy. But in Ottawa, as elsewhere, the spending departments have the upper hand. They were not to be held in while surpluses of $12,898,000, $16,427,000, and $19,413,000 were rolling up one after the other. Neither were they to be checked when the surpluses suddenly disappeared.

After the panic of 1907 Mr Fielding doubtless tried his hardest to get the estimates for the following year severely cut down. But instead of reducing them he could not even stop their growth. The Dominion expenditure of 1908-9, far from being curtailed, took a jump of seven and a half million dollars. From a total of $76,641,000 in 1907-8, which was itself a record, it rose to $84,064,000—another record. Happily the preceding year had left a surplus of over nineteen million dollars ($19,413,000) to fall back on. Consequently though the Finance Minister had

eleven million dollars less revenue and seven and a half million dollars more expenditure to meet, he was still able to scramble through with a nominal surplus of a little over a million dollars ($1,029,000).

But it is only too clear from the figures of 1909 that the days of sensational surpluses are past and gone. Normal expenditure is fast overtaking normal income, and the margin for bad years has disappeared. A revenue of $85,093,000 against an expenditure of $84,064,000 fulfils Mr Micawber's standard of solvency but it does no more. Meanwhile there is every prospect that expenditure will continue to expand steadily whatever may befall the revenue. Nearly every branch of it shows a remarkable increase during the past ten years, the only exceptions being the debt charge and the sinking fund. While these have been growing slowly all the others have been racing each other. Hundred per cent advances have been quite common — in fact there are hardly any smaller ones.

The cost of collecting the revenue has very nearly doubled in these ten years. It was only $11,044,000 in 1900, while in 1910 it was $21,811,000. The same simple arithmetical operation has been applied to the Provincial Subsidies. In 1900 they were four and a half million dollars, and they continued on or near that level until 1906, when they had 50 per cent added to them. This raised them to $6,726,000, and in

1908 they had another lift which made them the even nine million dollars. The latest return, that for 1910, gives a total of $9,361,388. These additions were modest, however, beside the thumping increase in the "other expenditure." That presumably includes the cost of the various departments which share among them the government of the Dominion. In 1900 the total cost of administration was $14,540,000, and in 1909 it was $39,460,000, nearly a threefold increase during the decade. Thus it would seem that the public service has not been left out of the boom. The official expenditure as a whole has exactly doubled since the twentieth century—Canada's century—opened. The nineteenth century left it at the reasonable level of $14,340,000, from which it steadily advanced until 1908-9 found it at $39,460,000, an increase of 175 per cent.

As a set-off to these indications of too rapid financial expansion, it is satisfactory to observe that the accounts for 1909-10 show a decided improvement on those of the preceding year. While the gross revenue of the Dominion increased by more than 16 million dollars the expenditure was reduced by nearly five millions. The result was another imposing surplus, this time 22 million dollars against a solitary million in 1909. The income from taxes gained 13 million dollars—$75,409,000 against $62,353,000, while "other sources" yielded fully three millions more—$26,094,000 against $22,740,000. *Per contra* there

was a decline of nearly 5½ millions in the expenditure.

But the credit of that achievement is discounted by the discovery that it took place almost entirely in public works. The outlay under that head fell from $12,300,000 in 1909 to $7,261,000 in 1910. The only other retrenchment of any consequence occurred also where it might have been least expected—namely, in "Militia and Defence." That item diminished from $5,221,644 to $4,679,956. The Lighthouse and Coast Service was also cut down by a few hundred thousand dollars. On the other hand the Civil Service not merely escaped pruning but drew an extra million dollars. In 1909 it had cost $3,283,000, and in 1910 it rose to $4,268,000.

The Legislature also deals tenderly with itself, its little bill for 1910 having been $1,837,248, or $300,000 more than in the preceding year. In the first ten years of "Canada's Century" this item has been considerably more than doubled. In 1900 it was only $830,301, so that in the succeeding decade it has run up more than a million dollars. In addition to their direct emoluments, Canadian legislators enjoy peculiar rights of "patronage" over various branches of the public service which do not make for economy. Railways and canals have hitherto suffered severely from this evil custom. It will be noticed that, however steadily the railway revenue of the Dominion may grow, the working expenses generally keep ahead of

it. Since 1900 they have both about doubled, gross receipts having risen from $5,232,459 to $10,114,990, while working expenses have mounted up from $5,244,300 to $10,215,037. The net revenue accruing to the Treasury remained practically the same—namely, $4,960,000 in 1910 against $4,882,000 in 1900.

This is one of the peculiar blots in Canadian finance—or shall we say one of its unsolved enigmas? It is discussed at length in a subsequent chapter on "Railways and Railway Finance." The question in order to be fully appreciated has to be looked at from two different points of view—first, that of public finance; and secondly, that of railway management. It is not particularly creditable to the Canadians in either aspect, least of all to Canadian politicians.

Now to turn to more agreeable subjects, one good feature in the financial situation is that the public debt does not follow the example of the expenditure. It grows, but not by leaps and bounds—only by short steady steps. On the 31st March 1910 it stood at $470,663,000, which is not far short of a hundred millions sterling. To borrow Canadian language, the Dominion may be described as a hundred million dollar country with a five hundred million dollar mortgage on it. Ten years ago (1900) the mortgage was only $346,206,000, and twenty years ago it was $286,112,000, so that it is growing at an average rate of twenty million dollars per annum. But

the greater part of the increase, we are told, is being reinvested in railways and other public improvements. Unfortunately the secret has not yet been discovered of making these self-supporting, not to say decently remunerative.

The assets which form a set-off against the public debt are certainly considerable. According to the official return they are also very progressive, though not so progressive as the debt itself. Between 1890 and 1910 they gained in value nearly ninety million dollars, having increased from $48,579,000 to $134,394,000. But the bulk of this increase has taken place in the past decade, and there can be little doubt where most of the money has gone. The National Transcontinental Railway will have got the lion's share of it, and how that investment may turn out is quite a premature question. If a final answer to it can be obtained within the next ten years all concerned may think themselves fortunate. Meanwhile it is some consolation that a comparatively small part of the cost has had to be borrowed, the bulk of it having been met out of surplus income. Since it was commenced surpluses have accumulated to the tune of nearly a hundred million dollars. It might be too sanguine, however, to expect them to continue piling up at the same rate. If expenditure continues to swell as it has been doing of late the Finance Minister may have all he can do to avoid deficits.

An odd coincidence is to be found in the public

debt accounts. The total value of the public assets in March 1909 ($154,605,000) coincided almost exactly with the aggregate amount of the surpluses realised during the first forty-two years of the Confederation ($154,461,000). It may be said, therefore, that nearly the whole of the Dominion surpluses have heen sunk in the National Transcontinental and other railways. In one way or another about four hundred million dollars of public money has been put into railways, canals, and other public works. From 1867 to 31st March 1910 over forty millions had been paid away in subsidies ($41,350,388) and $338,467,000 of debt had been incurred for railway and canal building. Of this fully one-third was spent in the past five years. Subjoined are the annual totals:—

DEBT INCURRED FOR RAILWAYS, CANALS, &C.

1906	$10,014,215
1907	9,827,278
1908	28,363,758
1909	40,552,349
1910	27,571,225
	$116,328,825

These are a double problem for the Canadians —first as regards revenue, and secondly as regards capital. That they should barely pay for working is bad, but that in addition they should have 4½ million dollars a year of unearned interest accumulating against them is still worse.

CHAPTER VIII.

PROVINCIAL FINANCE.

THE Confederation Act of 1867 gave the Provinces very large legislative and administrative powers, but very little money for exercising them. The aggregate revenues of the original half-dozen Provinces—Ontario, Quebec, Nova Scotia, New Brunswick, British Columbia, and Prince Edward's Island—hardly amounted to four million dollars a-year. Forty years later the same six Provinces had not much more than quadrupled their incomes, and even now they are still under twenty millions. The three North-West Provinces — Manitoba, Saskatchewan, and Alberta—collect amongst them less than ten million dollars a-year. The aggregate fiscal incomes of the whole nine Provinces are barely a third of that of the Dominion Government. They are difficult to unravel from the maze of financing and trading operations in which Provincial politicians freely indulge, but the following may be accepted as a fair summary of the latest available returns:—

PROVINCIAL REVENUES OF CANADA, 1909-10.

Ontario	$7,477,920
Quebec	6,032,187
British Columbia	5,931,373
Saskatchewan	3,893,795
Manitoba	3,376,892
Alberta	2,400,000
Nova Scotia	1,632,980
New Brunswick	1,259,826
Prince Edward's Island	——
	$32,004,973

The Provinces are much less formidable financially than they are politically. For the greater part of their revenue they have to depend on the Dominion Exchequer. It began by taking over their public debts, which, when consolidated, were found to exceed seventy-seven million dollars. It undertook at the same time to pay each of them an annual subsidy of so much per head of the population. The local and independent sources of income are frequently mere supplements to the Dominion Subsidies. The latter are sometimes more than half of the total revenue of the Province, and they are seldom less than a fourth.

From the birth of the Confederation to the present day the Provinces have been liberally treated by the Dominion Government. In the taking over of their debts they were particularly well used. Each of the original Provinces—Ontario, Quebec, New Brunswick, and Nova

Scotia—was assumed to have a debt of $25 per head of its population, though, in fact, New Brunswick owed only $22½ per head, and Nova Scotia $14¾ per head. Both these Provinces have ever since drawn interest from the Federal Treasury on the bonus debt. The total debt assumed was 77½ million dollars, the annual charge on which at the high interest rates of those days would be at least four million dollars a-year.

In the forty-two years from 1868 to 1909 inclusive, the Provinces have drawn from the Federal Treasury in subsidies and grants no less than $176,983,000. Ontario, of course, has had the lion's share, $54,767,000; Quebec has come next with $44,101,000. New Brunswick and Nova Scotia run each other close for third place with $19,476,000 and $18,686,000 respectively. It was by no means a trifling price that had to be paid for federation, and the complications which arose out of it are not going to be short-lived. It may be that they are only now entering their acute stage. Meanwhile, let us briefly review the chief Provincial budgets, beginning with the oldest, that of Quebec.

In the fiscal year ended 30th June 1909, Quebec raised in one way or another fully six millions of dollars ($6,082,187) of ordinary revenue, but it had to be drawn from many different sources. Only two of these exceeded a million dollars—namely, the Dominion Subsidies, $1,813,039, and

the receipts of the Lands and Forests Department, $1,041,226. Three other services produced between half a million and a million dollars each—namely, Licenses, $876,553; Taxes on commercial corporations, $653,341; and duties on Successions, $634,445. These items will be found to exceed four million dollars, and the other two millions were made up of small sums ranging from $13 upwards. The large yield of license duties is worth noticing. It is not due, as might be supposed, to penal levies on one particular trade, but to the great variety of trades which require licenses. In this respect Quebec follows the fiscal system of France, and the other Provinces are being tempted to follow its example. Probably without being aware of it, Ontario, Manitoba, and British Columbia are levying taxes which we have been accustomed to regard as distinctively French.

The latest accounts issued by the Provincial Government of Ontario cover a broken period of ten months, extending from the 1st January to the 31st October 1910. During that period the receipts from all sources amounted to nearly seven and a half million dollars ($7,477,920), while the corresponding expenditure was about seventy thousand dollars more ($7,545,040). As in the case of Quebec, the chief source of income is the Dominion subsidy. It amounted during these ten months to $2,128,772, and if we add the $719,148 received under the Supplementary

Revenue Act of 1908, the grand total will not be far short of three million dollars. For the complete year it will have considerably exceeded three and a half million dollars.

As already indicated, these subsidies date from the Confederation of 1867, when they began in a very small way. The Dominion pledged itself by Section 118 of the Confederation Act to pay "to the several Provinces for the support of their Governments and Legislatures" certain fixed sums and a capitation grant in addition. Ontario was to have $80,000 a-year fixed, Quebec $70,000, Nova Scotia $60,000, and New Brunswick $50,000. In all cases the capitation grant was to be 80 cents per head of the population, according to the census of 1861. It was to be "in full settlement of all future demands on Canada," but like more famous declarations of finality, that did not last so very long. The Subsidy Scheme has, I believe, been modified more than once. In 1907 it was completely overhauled and reorganised. Sensational surpluses being then in vogue at Ottawa, the Provincial Governments easily convinced themselves that they had a fair claim to a share of them. By agreement with the Dominion Government a new population scale was adopted, and an imperial Act was obtained to sanction it.

By this Act (7 Edward VII.) a province with a population of less than 150,000 was to receive $100,000 of a fixed subsidy; between 150,000 and 200,000, it was to get $150,000; between

200,000 and 400,000, it was to have $180,000; between 400,000 and 800,000, $190,000; between 800,000 and 1,500,000, $220,000; above 1,500,000, $240,000. The capitation grant was left as before, at 80 cents per head of the population up to two and a half millions. For all above that it was to be 60 cents per head. Ontario had at the last census—that of 1901—fully two millions of people, and consequently is entitled to the maximum grant recoverable under the Act of 1907. Its fixed annuity will be $240,000, and its capitation grant may be estimated at a million and three-quarter dollars.

Besides this chief subsidy from the Dominion, two others appear to be received under special Acts of Parliament—namely, 47 Victoria, c. 4, $142,414; and 8 Edward VII., c. 14, $719,148. Thus about a half of Ontario's whole revenue comes out of the Dominion Exchequer. The only other important receipt enjoyed by the province is the $2,028,224 derived from lands, forests, and mines. This will serve to indicate how rapidly Ontario's agricultural, forestal, and mineral resources are being developed. Game and fisheries are also becoming lucrative, their produce in the first ten months of 1909 having been $83,047. Succession duty brought in about $685,000; and on the net earnings of the Government railway (Temiskaming and Northern Ontario), a draft was made of $530,000. Investments and Treasury assets, amounting to

fully three million dollars, yield $177,000 a-year of interest. The charges on the public debt for the ten months were only $313,000, so that more than half as much interest was received by the Treasury as was paid out.

Whatever may be thought of the commercial ventures of the Ontario Government, its financial position is exceptionally sound. Not many Governments, even in Canada, are blessed with three million dollars of special deposits and current balances in bank. This creditable fact should be better known, and doubtless it would be if the Treasury officials did not take so much pains to hide it in a mass of bewildering details. The public accounts fill a massive volume of over five hundred pages, and acres of unimportant details have to be waded through in order to get at the final results. In this respect Ontario might not be above taking a hint from the Manitoba Treasury, which issues very intelligible statements of its financial operations. Though these are even more varied and intricate than those of Ontario, they can be traced with comparative ease.

The Manitoba Government has many irons in the fire, and consequently many different accounts to keep. It has a big cross account with the Dominion Treasury, ledger accounts with municipalities, railway companies, creameries, and drainage districts; trust accounts with public authorities and private persons; also

commercial accounts with its Telephone and Telegraph Department, to say nothing of a maze of cross entries arising out of its railway guarantees. Its balance-sheet at the end of 1909 exhibited assets and liabilities exactly balanced, at the imposing total of $38,969,153. The principal liability was for guarantees of various kinds, namely:—

Railway debentures, guaranteed . . .	$20,899,660
Drainage do. do. . . .	1,897,853
Municipal do. do. . . .	483,000
	$23,280,513

For the railway debentures the Canadian Northern Railway is primarily responsible, and the risk of their becoming a charge on the Provincial Government is remote. But, apart from these guarantees, the province has a considerable debt of its own to take care of. Provincial debentures with direct liability were outstanding at the end of 1909 to the amount of $8,939,673. A further issue, for which the Government had made itself indirectly liable, amounted to $1,510,673, raising the total public debt to $10,450,346—nearly ten and a half million dollars. The interest charges for the year were $374,237, of which $187,350, or more than one-half, was for capital expenditure on the Government telegraphs and telephones. This, of course, is regarded as an investment, and so far it appears to have been rather more than

self-supporting. The receipts from rentals, &c., in 1909 were $775,655; while the operating expenses were $485,000. On that showing the net receipts had been $290,655, or $103,395 more than the interest on capital.

Though the Manitoba accounts are clearly stated as a whole, they have one grave defect, in the mixing up of capital and revenue operations. The revenue and expenditure account for 1909 shows an aggregate turnover of eight and a quarter million dollars ($8,333,343), but less than half of that is revenue proper. The other half is made up of Treasury balances, trust-fund operations, loans, &c. The *bona-fide* income of the province—$3,376,892—is completely dwarfed by its financing of various kinds. In scrutinising its details we are struck, as in previous cases, by the large number of small items and the small number of large ones. The largest is, as usual, the Dominion subsidies, of which two are specified—first, the grants under the Confederation Act, $838,247; and secondly, the School Lands Fund, $166,056.

Thus, fully a million dollars, or more than a third of the $3,376,892 of *bona-fide* income has to be obtained from Ottawa. The local receipts are many and varied; but as regards yield, most of them appear to be only in embryo. They may, however, admit of considerable expansion in the future. Land is naturally the most productive, because the most easily taxed subject.

It yielded in 1909 $721,185 altogether, of which $205,887 was levied in fees, and $515,298 was obtained from provincial lands. The fiscal taxes proper are about half a dozen in number, and their respective yields last year were—

Liquor licenses	$106,124
Automobiles	3,000
Succession duties	52,004
Insurance Act fees	26,505
Corporation tax	83,791
Railway tax	139,112
	$410,536

The provincial finance of Saskatchewan appears to be modelled on that of Manitoba, and the same may be said for Alberta. All these accounts have the common fault of mixing up capital and other special receipts with fiscal revenue proper. Large totals are thereby produced; but when the specialties are eliminated, the residuum of taxation looks very small by comparison. The Saskatchewan revenue of 1909, as set forth in the public accounts, approached four million dollars. The actual figures were $3,893,795, and one-third of it was drawn from the Dominion Treasury. Saskatchewan seems to have done well for itself at Ottawa, having obtained in all $1,431,822. Its fixed subsidy was $180,000, and its capitation grant $301,294; to which were added $405,375 for debt allowance, $375,000 in lieu of lands, $93,750 as a special

allowance for public buildings, and $76,442 from the School Lands Fund.

Next to the Dominion subsidies, loans are the most important item in the Saskatchewan Budget. Last year two issues—of $100,000 and $300,000 —were made under the Public Improvements Loan Act, and nearly a million dollars ($958,000) were raised by temporary advances for capital expenditure on telephones. This is a sort of finance which may easily be overdone, as it locks up large amounts of banking credit, the first duty of which is to promote local trade and industry. Fiscal revenue proper consisted chiefly of—

Succession duties	$28,006
Land Titles Act	260,063
Liquor licenses	101,600
Law stamps	89,090
Corporation taxes	40,343
Trade licenses	10,516
Joint-Stock Companies	8,620
Foreign companies	13,528
Railway taxation	144,944
Steam-boiler inspection, &c.	19,072
Municipal fees	12,232
	$728,014

The above items indicate the trend of fiscal policy in the North-West. They show that the tax-gatherer is after the railways first of all, next after the publicans, and then after joint-stock companies. These three are the easiest to get

hold of, and they may expect to have steadily rising demands made on them as the necessities of the Provincial Governments increase. The private citizen has so far escaped lightly as regards provincial taxes. Apparently it is recognised that the municipal authorities have the first call on him, and that the Provincial Governments will have to be content with what the Dominion on the one hand and the municipalities on the other may leave for them.

All these accounts show that the trading craze is particularly strong among the politicians of the North-West. It is already a prominent factor in their public finance, and will become even more so in the future. The Manitoba Government has invested a million and a quarter dollars in a telephone service, and the farmers who chiefly benefit by it are now agitating for an extension of the same policy to granaries and elevators. Saskatchewan goes one better, and has not only provided itself with a telephone department but is running a large dairy business. In 1909 it realised over a hundred thousand dollars from its sales of butter and eggs, while the chickens it fattened off brought in another two thousand dollars. Through its local registrars it supplies weekly reports to an American commercial agency which benefit the Treasury to the extent of $3447 a-year. Its printing-office clears $11,600 a-year, and the work done in the public gaols produces another $5327. Well-digging for

settlers is its latest enterprise, and working at cost price it earned last year in this department $6075.

The Provincial accounts of Alberta are also of a primitive kind. They consist of 146 pages of receipts and disbursements by the Provincial Treasury, followed by 90 pages of similar details for the various improvement districts in the Province. One solitary page is considered enough for the general results. This shows a total of $3,725,576 received and expended during the year 1909, but on both sides capital and revenue are lumped together with a free hand. Revenue, for instance, includes $1,050,304 of loans and overdrafts for public works, and $260,959 credited to the Dairy Commissioner, who presumably is carrying on some kind of business on Government account. Strangely enough, he is not debited on the other side with any expenditure.

If we eliminate these two special items the revenue proper of Alberta shrinks to about $2,400,000, of which $1,340,195, or considerably more than half, is derived from Dominion Subsidies. As regards provincial taxation Alberta goes to the opposite extreme of British Columbia. It has hardly any direct taxes and lets its taxpayers off very easily indeed. Moreover, it provides them with a Government telephone service on very moderate terms. In that public investment two and a half million dollars have already been sunk, but there is nothing in the accounts to

show whether it is remunerative or not. The farmers are in every way liberally treated in Alberta, very nearly a million and a half dollars having been spent on public works in 1909.

Of late years British Columbia has entered the race with the Prairie Provinces, and is already challenging their lead. It has a number of advantages over them which are beginning to tell, and which as the country is opened up will tell more and more. Its immense timber areas, its fruit lands, and its minerals render it much more valuable than any purely agricultural country can be. With the advent of two new trans-continental railways — the Grand Trunk Pacific and the Canadian Northern — British Columbia is about to enter into its heritage. Already it is flourishing both in its public and its private finances.

The Government has now a revenue of over six million dollars per annum. Lately the financial year was changed so as to end in June instead of March, consequently the latest accounts cover a period of only nine months—namely, 1st July 1908 to 31st March 1909. The income for that period was $4,664,500 and the expenditure $3,745,170, showing an apparent surplus of $919,330 for the nine months. That would be at the rate of nearly a million and a quarter dollars per annum. Preceding years had, however, done still better. In 1907-8 the revenue proper had been $5,979,054, and the expenditure

only $3,686,350. Very nearly 40 per cent of the Provincial income had been consequently saved. But such golden ages do not as a rule last long. However rapidly receipts may grow, means of spending them are soon found.

The Treasury of British Columbia has had a phenomenally rapid development in the past quarter of a century. When the Canadian Pacific Railway crossed the Rockies in 1886 its receipts did not greatly exceed half a million dollars a-year. Up to 1897 they had never but once exceeded a million dollars. Then they took a start, and every succeeding year has witnessed a fresh stride in them. But buoyant as they were, they could not keep up with the expenditure, and substantial deficits were regularly recorded up to 1905 when the reign of surpluses began. Since then the revenue has kept steadily ahead, as shown below.

BRITISH COLUMBIA'S INCOME AND EXPENDITURE, 1905-1909.

	Income.	Expenditure.
1904–5	$2,874,554	$2,302,418
1905–6	2,902,900	2,328,126
1906–7	4,338,632	2,849,480
1907–8	5,931,373	3,686,350
1908–9[1]	4,638,562	3,745,171
	$20,686,021	$14,911,545

The accumulated surpluses of these five years thus amounted to $5,774,476, and their average

[1] Nine months.

exceeded a million and a quarter dollars a-year. In these beautiful pictures, however, there are a few shadows. The greater part of the revenue is derived from special sources, such as the Dominion Subsidy ($520,000), land sales, &c. ($755,000), timber leases, royalties, and licenses ($2,332,600), and "Chinese restrictions" ($345,000). With such an array of non-fiscal revenues it is difficult to see why the British Columbians should be so heavily and multifariously taxed as they are. In the receipts more than twenty different imports are specified, and they include all the latest Lloyd-George novelties — income tax, mineral tax, wild land tax, royalty on coal, real property tax, personal property tax, trade licenses, game licenses, licenses on commercial travellers, and entry money from poor Chinamen. Then, in case the taxpayers should have anything left when they die, an elaborate scheme of probate fees and succession duties follows them to the grave.

Having seen how the Western Provinces conduct their finance, we now turn to the Maritime Provinces, and select Nova Scotia as a fair example of a much older system of administration. Nova Scotia enjoys the distinction of having provided Canada with some of its ablest statesmen and its best finance ministers. One of the latter is Mr W. S. Fielding, who has guided the financial and the fiscal policy of the Dominion with a firm hand all through the eventful decade

which has transformed Canada from a colony into a nation. He learned at Halifax what he is now practising so successfully at Ottawa. Perhaps it was he who reduced the public accounts of Nova Scotia to the extremely simple, not to say primitive, form in which they are submitted to the local Legislature.

The "Financial Returns" of Nova Scotia run into 471 pages, of which 456 pages are occupied with a list of warrants drawn on the cashier of the Province. The general statement of revenue and expenditure, balance-sheet, &c., are compressed into the remaining 15 pages. From these we learn that the provincial expenditure for the year ended 30th September 1909 amounted to $1,653,508. The revenue was about twenty thousand dollars less, notwithstanding which a balance of $15,422 was carried forward. The only two items of consequence were the Dominion Subsidy, $610,462, and receipts from mines, $629,010. Interest paid by the lessees of Government railways made up another $165,480, receipts from Crown lands were $33,600, and refunds from hospitals and charitable institutions $78,547. Non-tax revenues amounted to more than nine-tenths of the whole $1,653,508. Practically the only taxes which these fortunate Arcadians have to pay to their Provincial Government are succession duties, marriage licenses, and registration fees for joint-stock companies. In 1909 the succession duties yielded a modest $71,465, marriage

licenses $9,135, and joint-stock registrations $17,541.

The provincial expenditure of Nova Scotia is quite as Arcadian as the taxes. The largest item in it was $310,389 for education, the second largest $306,047 for interest on the public debt, the third $210,950 for roads, and the fourth $209,646 for public charities, hospitals, &c. Not a single other head of expenditure exceeded a hundred thousand dollars. Nova Scotia evidently continues to be governed on the good old principles of thrift and economy, which elsewhere are being lost in the glamour of land booms, railway booms, and political booms. Its only weak point is a rather heavy public debt—$10,045,000. But against that it has tangible and liquid assets to the value of fully six million dollars. The Dominion Government owes it $1,056,000, and it has mortgages on a local railway—the Halifax and South-Western—for more than four millions ($4,121,191). Altogether a comfortable position for any Government to be in.

In New Brunswick the financial operations of the Government during 1909 comprised fiscal receipts, $1,259,826; proceeds of a loan issued in London, $2,190,000; Treasury bills sold in New York, $198,142; and a special loan obtained from the Bank of British North America, $15,680. Gross income, $3,663,649. *Per contra*, debt was redeemed during the year to the amount of $2,132,531, and the ordinary expenditure was

$1,255,382, as compared with the above revenue of $1,259,826. The Provincial budget was therefore neatly balanced with a surplus of $4444. Better still, the Treasury had at its credit with the Dominion Government and elsewhere balances amounting to $930,000.

From the above specimens of Provincial finance it will be seen that the Dominion and the Provincial Governments hold very complex and peculiar relations to each other. The latter have, as a rule, little or no independent income. They are virtually pensioners of the Dominion Treasury. On the other hand, the Dominion Government has the most shadowy kind of control over them. The legal theory not only in Toronto and Quebec, but in Ottawa, is that the Provincial Legislatures are within their own sphere autocratic and irresponsible. That doctrine, over-zealously and indiscreetly applied, has already led to friction. Another kind of friction may in course of time arise out of the financial relations of the Dominion and the Provinces. While the Dominion Treasury was full and overflowing, generous subsidies could be paid to the Provinces without ever being missed. But the Dominion Treasury may not always overflow. Booms may peter out and revenue may shrink while expenditure continues to expand.

Financial conditions may, in short, arise at Ottawa which will cause the Provincial Subsidies to be regarded as a serious drain on the Dominion

revenue. As it is, they absorb close on 11 per cent of the total expenditure of the Dominion. In 1909 the latter was $84,064,000, and $9,117,000 of it went to the Provincial Governments. The 84 million dollars were distributed as follows:—

DOMINION EXPENDITURE, 1909.

Charges on public debt . . .	$11,931,538
Subsidies to Provinces . . .	9,117,143
Sinking funds	1,922,525
Collection of revenue	21,632,704
Administration and other expenditure	39,460,322
	$84,064,232

The charges on public debt, the sinking funds, and the cost of revenue collection being more or less fixed, the reducible expenditure is only 48½ millions, and that is the real amount out of which the Provincial Subsidies are paid. Looked at from this — the correct — point of view, the proportion of free revenue they absorb is not 11 per cent, but nearly 20 per cent. Seeing also that Dominion expenditure is growing rapidly in every branch, readjustments between the old burdens and the new may sooner or later become necessary. Common prudence forbids the recent phenomenal progress of the country to be considered normal. Nevertheless, it is being discounted almost up to the hilt. In the decade 1900-1909, while the receipts from taxes increased about 60 per cent and other receipts 80 per cent, the Provincial Subsidies were doubled, the cost

of collecting revenue very nearly doubled, and the other expenditure was not far short of being trebled. To these larger expenditures are about to be added the unknown cost of equipping Canada with all the requisites of a military and naval Power.

At such a time and under such circumstances, the free trade agitation which English politicians have been trying to stir up in the North-West must sound grotesque to all who appreciate the financial condition of the country. The customs duties constitute fully one-half of its total revenue: in 1909 it was $47,415,000 out of $85,093,000. Every dollar that was taken off them would have to be put on something else. The simplest, if not the only practicable, substitute for it would be a land tax, but not many of the North-Western farmers might relish such an exchange. When the choice presented itself to them they would most likely prefer the ills they have than fly to others that they know not of.

CHAPTER IX.

MUNICIPAL FINANCE.

CANADA'S three branches of public finance—national, provincial, and municipal—are all of practical interest for the British investor. He has sunk millions of pounds in each of them, and is ready to sink millions more. Considering how vague and hazy his personal knowledge of them is, his faith in them is very striking. In nine cases out of ten he has relied on the bank, investment company, or other agent by whom the securities were offered to him. So far his confidence has, on the whole, been well placed. He has never lost a cent either by the Dominion Government or any of the Provincial Governments. The severest critic cannot say of any of them that they have overborrowed themselves. With revenue from many sources pouring in on them faster than they could spend it, they had not the shadow of excuse for outrunning the constable. While their Treasuries continue to overflow, their financial virtue is not likely to be put to the test.

It will be only when the boom has cooled down and their revenues have shrunk to normal proportions that questions may arise as to the debt-carrying power of the Dominion and Provincial Governments. I have shown that at present most of them are in a sound, and one or two of them in a strong, financial position. The large balances they hold in cash and liquid securities are unique.

But if it be frankly admitted that the Dominion and the Provincial Governments fairly deserve the high credit they enjoy, equal confidence cannot be expressed in Canada's municipal finance. This is where a vigilant watch is needed. The mere fact of there being such a crowd of municipal borrowers in the Dominion should put the investor on his guard. The further fact that many of them are keen competitors for outside capital—British, French, and American—calls for extra care. Another ground for caution is that official information about municipal finance is much more difficult to obtain than in the case of the Dominion and the Provincial Governments.

The latter publish annually detailed—in fact, too detailed—statements of revenue, expenditure, assets, and liabilities. With a little trouble any one may obtain these and study them at his leisure. But municipal borrowers are legion, and their financial methods are as promiscuous as they are peculiar. There is no official publica-

tion that undertakes to give a complete survey of them.[1] The Legislature of Quebec calls for annual returns from the smaller class of municipalities in the Province, but for some curious reason the important ones like Montreal and Quebec are omitted. The summary published is parochial rather than municipal. From that point of view it gives a favourable picture of the Province. The administration appears, as we might expect, to be careful and thrifty. The liabilities are moderate compared with the communal assets, and still more moderate in comparison with the assessed values.

The Ontario Government has recently begun to issue Municipal Bulletins, in which useful and interesting statistics relating to the municipalities of the Province are tabulated. They give in each case the population, assessed values, exemptions, taxation, debenture debts, and sinking funds. The latest (No. 4) has a brief but instructive preface by the compiler, in which he apologises for the incompleteness of the returns, and explains a few of the causes to which it was due. Many of the municipal clerks and treasurers to whom schedules were sent out did not return them at all. Nearly one-half of those returned were so badly filled up that they had to be sent back for completion.

A significant admission is made regarding the

[1] See Memorandum from a public official of British Columbia, page 140.

debenture debts—that they are not always fully stated. The compiler says, "We are continually coming across debenture debts which have been omitted from previous returns. . . . In one case a loan for a drain was handled entirely by the clerk, and although it ran for several years not a dollar appeared in the official audits furnished to the bureau." Local auditing would appear to be as lax in Ontario as it is in some parts of Wales. But these irregularities will, of course, be confined to the small towns and villages. The returns for 1909 contain about seven hundred and fifty separate accounts, and to check them all properly would require a good deal of auditing.

Less than twenty of the municipalities reporting had assessments of over five million dollars. The highest was Toronto, with an estimated population of 325,302, a total assessment of $234,308,546, a gross income from taxes of $5,170,746, and a debenture debt of $35,972,988. The Canadians themselves regard Toronto as a spread-eagle municipality. For a city with very little municipal property—it does not own either its tramways or its electric lighting—it has certainly piled up a respectable debt. Domestic critics frequently remind it of that fact, and draw unflattering comparisons between it and other large cities in that respect. The 'Financial Post,' the organ of Toronto's high finance, lately startled its fellow-ratepayers with the following list of civic assessments and bonded debts:—

	Population.	Assessment. Per Capita.	Bonded Debt. Per Capita.
Toronto	360,000	$741	$100
Detroit	470,000	753	14
Indianapolis	250,000	716	13
Milwaukee	370,000	595	25
Buffalo	415,000	751	52
Baltimore	670,000	825	36
Boston	630,000	2,130	113
Chicago	2,300,000	333	10
Los Angeles	330,000	793	49
Newark, N.J.	300,000	1,041	59
New York City	4,500,000	1,588	156
Pittsburg	550,000	1,329	45
Philadelphia	1,400,000	912	56
Toledo	200,000	402	33
Worcester, Mass.	140,000	911	42

With all their faults, the American municipalities have one conspicuous merit. Their borrowing powers are, as a rule, held severely in check by the State Legislatures. One or two of them, like New York and Boston, are too powerful for State control, and their debts per head are far above the general average. Excluding them the other averages are remarkably small—only $10 to $59 per head, as compared with $100 per head for Toronto, $113 for Boston, and $156 for New York. In rural districts the borrowing limits are even more strict than in the towns and cities. In Michigan, for example, they are not allowed to increase their debt beyond 3 per cent of their assessed values.

But for English readers our own municipalities

may furnish a better standard of judgment for Canada than those of any foreign country. At least they would if the bases of assessment were alike. Unfortunately, the Canadian assessments, like the American, are made on capital value, while ours represent annual value. The latter may, however, be capitalised with sufficient accuracy for our present purpose by calculating them at twenty-five years' purchase. Applying that method to the annual valuation of the London County Council, which in the latest official return was given as £44,267,681, we obtain a capitalised assessment of £1,106,692,000. Against that has to be set a gross debt of £88,126,000, and a net debt of £50,648,000. The proportion of net debt to capitalised assessment value was 4½ per cent.

Turning back to the Toronto figures, we have a gross debt of $35,972,988 and a net debt of $26,649,398 to set against a capitalised assessment value of $234,308,546. The proportion of net debt to assessment is 11½ per cent, or more than double that of the London County Council. The contrast would be considerably heightened if we struck off from the London debt the £12,164,000 invested in reproductive works—tramways, improved lands, &c. That has as yet very little counterpart in Toronto. But let us take a provincial example closer to Toronto in size and conditions. Liverpool has an assessed annual value of £4,679,520, equal to £116,988,000

capitalised at twenty-five years' purchase. Its gross debt is £21,598,492 and its net debt £13,902,204. The proportion of net debt to capitalised assessment value is consequently 12 per cent. That looks at first glance rather favourable to Toronto, but a qualifying fact has to be added that £12,220,944 of Liverpool's debt is invested in reproductive works. Liverpool has, in reality, only a million and three-quarters of purely municipal debt.

Even Birmingham, the most progressive, and therefore the most heavily indebted of our great municipalities, makes a fair showing alongside of Canada's financial capital. Its assessed annual value is £2,915,506, which capitalised as before gives £72,887,650. Its gross debt is £21,922,120 and net debt £17,124,484. The proportion of net debt to capitalised assessment is as high as 23½ per cent. But *per contra* nearly nine-tenths of the debt is invested in reproductive works, namely, £14,491,814 out of £17,124,484. The purely municipal debt is therefore little more than two and a half millions sterling.

All Canadian cities may not be quite so spread-eagle as Toronto in their financial administration, but most of them are evidently tending in that direction. Ottawa, the capital of the Dominion, is almost as heavily mortgaged as Toronto. Their percentages of net debt to total assessment are, in fact, the same to a small fraction. The Ottawa assessment given in the municipal re-

turns is $50,508,205, the gross debt $7,804,279, and the net debt, deducting sinking funds, &c., was $5,672,268. The latter represents 11.2 per cent of the total assessment as compared with Toronto's 11.5 per cent. As a third and last example, let us take Hamilton City, with its total assessment of $39,982,985, its gross debt of $5,508,249, and its net debt, after deducting sinking funds, &c., of $4,726,855. The proportion of net debt to total assessment value is thus 11.8 per cent.

It is an odd coincidence that the three principal cities in Ontario—Toronto, Ottawa, and Hamilton—though differing widely from each other in population, character, and circumstances, should be exactly alike in the extent to which they have mortgaged their municipal future. It is also worthy of note that three Canadian cities—Montreal, Toronto, and Winnipeg—are among the largest municipal borrowers in London. They have among them nearly eleven million sterling of bonds quoted in the official list of the Stock Exchange. Their respective quotas up to date are—

	Bonds officially quoted, 1910.
City of Montreal	£5,345,176
„ Toronto	2,494,866
„ Winnipeg	2,946,700
	£10,786,742

In the Province of Manitoba there are two

hundred so-called municipalities, but many of them are, of course, mere villages. There appears to be no minimum limit to the number of people who may have themselves incorporated and municipalised. One enterprising village has assumed the responsibilities of corporate life with a population of 400. Another has begun its municipal career with 402 souls, a third with 406, and a fourth with 435. Between 450 and 600 is a common number, and a good half of the 200 infant cities are from 1000 to 2000 strong. A town of more than three thousand people assumes financial airs, and considers itself a first-rate field of investment for British capital. There are, however, only seventeen of these as yet in Manitoba, and nine of them have already laid the foundation of a substantial public debt.

The city of Winnipeg heads this list with a funded debt at the end of 1909 of $18,623,005. Its sister city, St Boniface, makes a good second with $1,219,981. Then in consecutive order we have Brandon $814,500, Portage la Prairie $699,366, Selkirk $229,850, and Franklin $110,000. Municipal borrowing does not appear to be regulated by numbers, for Franklin has only 2620 citizens to struggle with its $110,000 of municipal debt—an average of $42 per head. Carman, with 1700 of a population, has mortgaged its future to the extent of $99,000, or $58 per head. A village of 1483 souls, with the sweet name of Minnedosa, has exploited its credit to the tune of $87,315,

which works out at $60 per head. But these ambitious villages are only aping their betters, and are still a long way behind them.

The larger cities of Manitoba think nothing of $40 to $60 per head of municipal debt. They run up to three or four times that average. Brandon is exceptionally reasonable with $68 per head, and Selkirk is not so far out of the way with its $78. But when it comes to $108 per head as at Portage la Prairie, $152 per head as in Winnipeg, and $190 per head as in St Boniface, it can hardly be denied that the pace is getting warm. As these facts may become of practical interest for the British investor, I append a summary of them :—

CITY DEBTS IN MANITOBA, 1910.

	Population.	Public Debt.	Per Head.
Selkirk . . .	2,929	$229,850	$78
Portage la Prairie	6,492	699,366	108
Brandon . .	12,000	814,500	68
St Boniface . .	6,454	1,219,981	190
Winnipeg . .	122,390	18,623,005	152

Another instructive test is to compare the debts with the respective assessments of real and personal property :—

	Debt.	Assessment.	Per Cent.
Selkirk . . .	$229,850	$1,499,312	17.5
Portage la Prairie	699,366	3,809,077	18.3
Brandon . .	814,500	7,956,196	10.2
St Boniface . .	1,219,981	8,008,050	15.0
Winnipeg . .	18,623,005	111,091,094	16.8

Large as the Toronto average (11.5 per cent) seemed to be, the go-ahead cities of Manitoba leave it far behind. The Winnipeg ratio is half as much again, that of St Boniface is a third more, while Selkirk and Portage la Prairie are approaching a 20 per cent record. Viewed whichever way we will, these are heavy liabilities for any municipality to carry, however progressive it may be and however brilliant its future.

Per contra, it should be acknowledged that the Canadians are waking up to the defects and possible dangers of their municipal finance. There are several movements on foot for introducing into it more method and better supervision. In various Provinces laws have been passed to regulate its organisation and working. Manitoba and Saskatchewan have established municipal departments with Ministers and Deputy Ministers at their head. These departments have been equipped with strong staffs of inspectors and auditors. Uniformity of accounting is aimed at, and in course of time will no doubt be achieved. On this useful line the American and Canadian municipalities are working together. Conventions are held of municipal officials to discuss subjects of practical interest, also conferences on State and local taxation in which the Americans take an active part. Delegates are appointed by the Governors of States, the Premiers of Provinces, and the heads of universities, thus giving their deliberations a semi-official authority.

In Saskatchewan municipal finance has hitherto had more of a literary than a practical development. There are as yet no official statistics available, but the new Minister of municipal affairs has published his maiden report. It is for the financial year ended 28th February 1910, and consists of a historical introduction followed by a long list of the rural municipalities and local improvement districts already formed. Over five hundred are recorded, and to have organised so many local authorities in the short period of five years says a good deal for the energy of Saskatchewan politicians. It is, moreover, a proof of widespread municipal spirit and enterprise.

On the other hand there may be just a little risk of going too fast. In the Prairie Provinces there is splendid scope for town planning, and it is not being neglected. The Minister of Municipal Affairs in Saskatchewan invites special attention to this fact. In his maiden report he says :—

> The cities of our Province are small in number, largely as a result of Saskatchewan being mainly agricultural, and our population having a comparatively even distribution. Each of these senior municipalities is in a thriving condition, and is noted for its enterprise and progressiveness. Systems of waterworks have been established, main thoroughfares have been paved, and each can boast of miles of granolithic side-walks. Energetic Boards of Trade have advanced commerce and encouraged the coming of industries. Stately buildings erected for permanency, and which would grace any city

of the East, give a substantial air to the cities of Saskatchewan.

These interesting disclosures excite two different sorts of curiosity—one to see the cities of Saskatchewan, and the other to have a look at their municipal accounts. These will no doubt be forthcoming by-and-bye. Meanwhile, it is satisfactory to observe that the municipalities have a wider range of taxing power in Saskatchewan than in British Columbia. They are authorised to assess lands, businesses, incomes, and special franchises. Land has to be assessed at its fair actual value, and improvements at 60 per cent of their value.

The provisions respecting debt are important. According to the report of the Minister of Municipal Affairs, "urban municipalities can borrow by debenture in order to perform permanent improvements," and the debt may be spread over a period of twenty years. On this the Minister sagely remarks that "It is easier to assume debt than it is to pay it." "He is fully aware of the fact that in some Provinces municipalities have burdened themselves for years to come owing to the abuse of powers which were given them in regard to the borrowing of money," but there is to be no danger of that kind in Saskatchewan. "In this Province," he continues—

> The total of all debentures at any time outstanding cannot be more than $3000 per township, and the deben-

ture cannot bear a greater rate of interest than 8 per cent. Again, the loan cannot be made without the consent of the people, . . . and even if the people do endorse the proposition, the money cannot be secured until permission is granted by the Minister of Municipal Affairs.

More significant than all these safeguards and restrictions is the fact that so many of them should be deemed necessary. Neither is the investor to take them too seriously. They are after all only Provincial legislation, and there has been some painful experience of the ease with which Provincial legislation can on occasion be circumvented or even turned inside out.

Apparently the farther west we go the more difficult it becomes to obtain authentic information about municipal finance. It would be hardly fair to expect much from Alberta and Saskatchewan, the two five-year-old Provinces which are still busy organising their municipal systems. But it is a little surprising to learn that the much older Province of British Columbia is still in the same primitive stage. A request for the latest municipal statistics elicited from the Surveyor of Taxes the following frank confession that there were none available:—

The information you ask for in connection with municipalities is not available in any published returns or in any returns made to the Government. In this Province each municipality has control of its own affairs and makes no statistical return to the Government. The only way to get the information you need is to

apply to the treasurer or clerk of each separate municipality and prepare from their annual statements the data you require. I have repeatedly called attention at the Union Convention of Municipalities to the growing need of their publishing a 'Year Book' with statistical information of the nature you ask for. The need is growing more acute every year, because financial firms are asking for it also. . . . I believe many of the municipalities issue on printed forms annually their accounts of revenue and expenditure and their assets and liabilities. If to this were added other data such as population, rates of taxation, debentures issued, &c., it would be a great boon to investors. This Government has really nothing to do with municipal affairs unless it is called upon at any time to order an audit.

Thus it happens that while British Columbia publishes minute details of its Provincial income and expenditure, municipal accounts are entirely ignored. There are about fifty municipalities in the Province. Nearly all of them, however, are in their infancy, having been created within the last twenty years. Previous to 1892 there was no general law for organising municipalities. They had to be created by letters patent or by a special Act of the Legislature. Only eleven of them belong to that class which ceased in 1892. In that year a Municipal Clauses Act was passed, and by it all the later municipalities are regulated. They have, amongst other powers, "the right to assess and tax real property and the improvements thereon, to impose and collect taxes, to fix the rate of taxation thereon and the fees payable by bye-laws."

The taxing powers of the municipalities are limited in various ways. The cream of the taxes is reserved by the Provincial Government for its own use, and practically all that is left for the unfortunate town councils is a rate on land and improvements. On improved land this cannot exceed 1½ cents on the dollar of assessed (capital) value, but "wild" land has to pay a differential rate which may go as high as 4 cents on the dollar. The Provincial tax-gatherer has a much wider sweep than his municipal rival. He can levy on real property, "wild" land, coal land, timber land, personal property, and personal income. Special taxes are laid on mines, minerals, salmon canneries, commercial corporations, and railway companies. With so many fruitful sources to draw upon, the Provincial Treasury is much more likely to keep full than the municipal one. If prudently administered it should be a better security to lend upon.

CHAPTER X.

"THE PEOPLE" *VERSUS* THE CAPITALISTS.

THERE is one ordeal common to civilised nations which Canada has not yet passed through. But she is coming to it, and sure signs of it are beginning to appear on the horizon. So far she has had no serious struggle with social or economic problems. Her principal trouble has been to organise the wealth pouring in on her from abroad. Labour and capital have not yet begun in earnest their inevitable conflict. Hitherto they have clashed very little because there has been room enough for both. But it is only a question of time when they begin to crowd each other as they do in older countries.

Hitherto there have been few great strikes in the Dominion. In the large cities there may be a considerable sprinkling of socialists, but they have not yet found a sympathetic audience. Class war is still a thing of the future, and jealousy of the rich is not yet systematically fostered. At the upper end of the social scale a wealthy class has sprung up, and it begins to be regarded with a

certain degree of envy by the rest of the community. But this feeling is not yet bitter or even acute. There is still very little of the hopeless, helpless poverty which breeds hatred of wealth as such. While Canadian workmen can earn their three or four dollars a-day they will not waste much thought on the big incomes higher up, but when wages decline and employment becomes less abundant they will naturally become more critical of those above them.

Then the Canadian capitalist may look out for a similar experience to what his friends are having elsewhere. In all old countries the capitalist is on his trial. In the early stages of the ordeal he may be treated decently, but as it proceeds he grows worse and worse in popular imagination, until he becomes the enemy of the people. Just now in Canada he is only the rival of the people. They envy him the millions he has made, and all the more so because so much of it has been got out of the national resources which should have been husbanded for the good of the nation.

In this respect the Canadian capitalist holds a peculiar and almost unique position. The only parallel to it is to be found in the Western States, where national resources have also been exploited for private benefit. In both cases the people only awoke to the danger when the exploiters had done their worst. The stable doors are now being locked after the steed has been stolen. British socialists, in attacking our great landowners, have

to go back to the days of Charles the Second and Nell Gwynne for stones to throw at them. But in Canada materials for that sort of work lie quite handy. No one needs to go farther back than the present generation for a plentiful supply of them. Every general election reveals anew the inner history of the Canadian millionaire. In the recriminations of Parliamentary candidates highly-coloured disclosures are made of how big fortunes were conjured out of land and lumber and railways.

Three-fourths of these big fortunes have a political taint, and that may account for the asperity with which they are often criticised. It does not, however, justify the extraordinary antidotes which are in some cases being applied to them. Instead of curing they may aggravate one of Canada's worst evils—political finance. Every young country has its political financiers, that is to say, men who are in politics not for their health but for business. Some countries have more of them than others, the supply of them depending a great deal on the opportunities offered. But nowhere, I believe, is the proportion of political to non-political financiers quite so large as it is in Canada. Nowhere is politics so generally recognised as a profession. Nowhere is it such an open profession in which everybody is entitled to do the best he can for himself. In few States are public service and private advantage so frankly combined.

This is one of the keys without which Canadian politics cannot be understood or fairly judged by outsiders; least of all by people trained in our own parliamentary ideas and traditions. But the Canadians have a right to remind us that their peculiar methods and sentiments are to a large extent inherited from the mother of Parliaments. They were as rampant at Westminster in the reigns of George II. and George III. as they are at Ottawa in the reign of George V. For every political abuse in the Canadian system of to-day a counterpart may be found in the time of Sir Robert Walpole or even later. They are colonial survivals of old English methods, and there is no reason why Canada should not also outlive them as completely as the old country has done.

The most curious case—that of the Maritime Department at Montreal, where the officials carried on a money-lending business with the public funds in their keeping—is an exact revival of practices which were quite common among us down to the end of the eighteenth century, if not later. One of the last offenders brought to book for it was Henry Fox, the father of Pitt's rival, Charles James Fox. As Paymaster of the Forces, he had millions of public money passing through his hands, and his accounts were not finally audited until years after his retirement. A huge claim was then made against him for balances due to the Treasury, and notwithstand-

ing the indignation of his Whig friends, he had to settle up. Lady Holland has a vigorous note on the subject in her Memoirs.

Compared with Henry Fox the political financiers of Canada have been for the most part small game. Until the twentieth century boom began their opportunities were very limited. That boom, of course, extended their opportunities immensely, and millionaires then began to spring up like mushrooms. But it is due to the Canadian people to put on record that they demanded prompt and thorough investigation of every scandal as it arose. It is also due to the Laurier Government to acknowledge that as soon as they realised how the public conscience was stirred they did their best to stamp out the evil. For several years the voice of scandal has been silent, and boodler, as well as muckraker, has retired into obscurity. It is to be hoped that the big fortunes made in politics are things of the past.

There are now so many legitimate methods of making money that it has ceased to be good form to exploit the Government. While there are endless railways to build and boundless areas to develop, honesty will be the best policy even for grafters. In the unregenerate days of Canadian politics four special sources of wealth were recognised: 1, Land speculation; 2, Timber limits; 3, Government contracts; 4, Official perquisites. Nine-tenths of the big fortunes owned

in the Dominion have originated in one or other of these ways. Sometimes exceptionally lucky men have had the run of several departments. They have had "deals" in land, in lumber, and also in public contracts. Such golden chances did they enjoy that they could hardly escape becoming millionaires. In one respect they all resemble each other—namely, in their indebtedness to the Government.

In most of the deals the Government was a sleeping partner—and generally very much asleep. However well the active partners might come out, the sleeping partner invariably got left. Whoever might win, the Government was pretty sure to lose. Land deals, timber limits, railways, harbours, canals, Quebec bridges, hydro electric schemes, and municipal improvements have all had their pull on the Treasury. Fully four hundred million dollars of public money has gone into railways alone, and politicians have had a finger in the spending of most of it. It would be mere prudery to pretend that the strictest economy had been observed in such expenditure.

A revolt against political finance and State-aided capitalists was bound to come, and it has actually begun. The lead in it was taken by the Ontario Conservatives in their last electioneering campaign. It proved a winning card, and hoisted them into power with a sweeping majority, of which they have made some strange uses.

It would have been too flagrant an outrage on Conservative principles to practise confiscation on the objectionable capitalists. Innocent-looking tactics had to be adopted, and the plan hit upon was to rush into competition with them. The special merit of this brilliant idea was that both parties—the public and the capitalists—were likely to lose by it in the end.

The Ontario Government's power scheme, ostensibly undertaken to provide "the people" with a light and power service of their very own, is a characteristic sample of these anti-capitalist campaigns. It runs full tilt against a long series of concessions and contracts to which both the Dominion and the Provincial Governments have pledged their faith. It has had special laws made to suit it and existing laws set aside which did not suit it. Its history is worth tracing step by step from the outset.

First, In 1902 a franchise was granted by the Ontario Government to a company organised in Toronto for bringing electric power from Niagara Falls. In 1903 the Company entered into a contract with the Niagara Falls Park Commission—a body appointed by the Ontario Government, and being, in fact, the Government itself under another name. *Inter alia* the Commission bound itself "not to compete with the Company save under circumstances which have not arisen." On the strength of these contracts and guarantees the Company succeeded in placing about

eight million dollars of bonds on the London market.

Second, In 1906 the Government set up another agency of its own under the name of the Hydro Electric Commission, with a Minister of the Crown at its head, and "proceeded to build transmission lines for the delivery to a number of Western municipalities of power derived from an American plant on the Canadian shore."

Third, Contracts were entered into by certain municipalities for the purchase of power from the Hydro Electric Commission at fixed prices, and the necessary bye-laws for carrying them into execution were voted by the ratepayers.

Fourth, The contracts presented by the Hydro Electric Commission for execution differed from the originals in material points, the most important of which was the substitution of contingent prices for fixed prices.

Fifth, With one exception the Town Councils executed these altered contracts on their own authority without referring them again to the ratepayers. The Mayor of Galt refused to sign his, and a mandamus to compel him was applied for.

Sixth, The Superior Court to which the case was ultimately appealed held that the contract in its altered shape was invalid, "that for the Mayor to sign it would be tantamount to fraud upon the ratepayers, and that a new bye-law should be submitted."

Seventh, The Government thereupon had an Act rushed through the Assembly declaring all the contracts valid, and staying all suits against the Hydro Electric Commission in respect of them.

These are the legal points in the case reduced to their simplest and most concise form. Not one has been mentioned which has not a legal bearing on the issue. It will be seen that there are in reality five distinct issues—one between the Government and the Electrical Development Company, a second between the Government Electrical Development Company and the English bondholders, a third between the Government and the dissenting ratepayers of the various municipalities, a fourth between the Legislature and the Superior Court of the Province, and a fifth between the Provincial and the Dominion Governments. Altogether a pretty kettle of fish for a Conservative Ministry to have made in its first term of office. Every one of the five issues has constitutional significance.

At the root of the matter lies the grave and vital question of breach of contract. Even that has been forcibly withdrawn from the jurisdiction of the Courts, and the Government has constituted itself judge in its own cause. By doing so it has sunk the private and special issue in one of the largest that could possibly be raised. The question is no longer between an Ontario Ministry and Ontario concessionaries. The

Ontario courts of law have been dragged into it, and a gratuitous conflict has been set up between the local Legislature and the Judiciary. It does not even stop there, for it has external ramifications which may eventually compromise the relations of the Dominion and the Imperial Governments. Such a sinister contingency may not have been altogether unforeseen.

It may be that the Ontario politicians who court the capitalist one day and boycott him the next are quite aware that their policy is bound to have far-reaching consequences. The issues involved are more than local or provincial. In itself the veto of the Dominion Government on provincial legislation may be of minor importance, but if, as appears only too likely, the Imperial veto on Dominion legislation must stand or fall along with it, then we are up against another Canadian crisis. Any day the ultimate jurisdiction of the Privy Council may be challenged on the same grounds as that of the Dominion Government has been repudiated in Ontario.

Whether or not the Ontario Government has had ulterior objects in running amok against the principles of Magna Charta, further developments and complications are inevitable. The Conservatives, when they get into power again at Ottawa, cannot, without stultifying themselves and their political antecedents, adopt the precedent which has now been set up by the Laurier Cabinet.

If they are to be historically consistent, they must, when fresh occasion arises, uphold the Dominion veto on provincial legislation as their former leaders did. The result may be a deadlock impossible of solution, without throwing into the melting-pot the Confederation Act of 1867. If the latest Canadian interpretation of it be correct, it calls for speedy cure. The present position has been proved to be unsafe for all owners of property subject to Provincial-made law. Whether it be a land grant, a mining claim, a railway charter, a lumber limit, or a Government bond, it is subject to the risk of prejudicial legislation, which can neither be anticipated nor prevented.

The Prime Minister of Ontario, Sir James Whitney, has, during his five years of office, made quite a record both in executive and legislative commandeering. He is charged with having revoked mining claims after they had been duly recorded under the Mining Regulations; with having nullified charters to private citizens by setting up public competition with them after millions of dollars had been sunk in them; with having exposed the bonds of charter-holders to the risk of default; and with having not only damaged the credit of the charter-holders, but depreciated the bonds as well. When the aggrieved parties applied to the courts of Ontario for redress and protection, he had *ex post facto* laws passed to bar their actions. By means of

other *ex post facto* laws he virtually set aside contracts made with municipal authorities, and put other contracts in their place which his own judges said differed from the originals not only in form but in substance.

The victims of these high-handed proceedings, on finding the courts closed against them, did what most Englishmen would do in similar plight. They appealed to the press first in Toronto and afterwards in London. There were also English victims, who lost no time in protesting on their own behalf. The most flagrant case was that of the bondholders of the Electrical Development Company of Ontario—an undertaking which the Ontario Government, having chartered, are now competing with. This company had floated bonds in London to the amount of eight million dollars, which the competition of the Government brought to the verge of default. The bonds, in fact, dropped at one time to under 70.

The original contract with the Electrical Development Company having been broken, the implied contract with the English bondholders was also broken. A further question arises as to the value of municipal credit, which can be manipulated as these contracts with the Hydro Electric Commission undoubtedly were. Nearly all the municipalities involved have securities in the London market, and investors would have preferred the usual process of confirming contracts by the votes of the ratepayers to Sir James

Whitney's new process of validation by the votes of a submissive Assembly. Borrowers who expect millions of dollars at four per cent whenever they choose to ask for it cannot afford to play fast and loose with legal formalities. However trivial they may seem to a parliamentary majority at Toronto or Vancouver, they still have some value in the eyes of British investors.

Starting from the fundamental issue of breach of contract, all the intermediate issues lead up to the final question of Provincial *versus* Dominion jurisdiction. Are the Provincial Governments of Canada virtually independent according to the Ontario reading of the Confederation Act? May they "do as they darned please," even to the length of breaking contracts, overriding the Courts, and denying justice to aggrieved subjects? That question has, as the Canadians would say, to be settled here and now. The indiscriminate violation of public and private rights which is going on in Ontario and British Columbia can have only one end—legal confusion and financial mistrust.

Do the Conservative Presbyterians of Ontario realise the danger of allowing their politicians to run amok against the essential principles of private justice and public credit? Have they considered the dangerous precedent they are setting up for the future use of French Canadians in Quebec, Slavs and Galicians in Manitoba, and the anti-Japanese faction in British Columbia?

In fact, they have not had to wait long for their new principles to be turned against themselves. British Columbia has bettered their bad example and hoist them on their own petard. They are the last people in the world who should raise the standard of provincial independence and irresponsibility. They have posed hitherto as the bulwark of the Dominion against un-English ideas and inferior civilisation. They were the models of Canadian patriotism, professors of the strongest loyalty and the highest morality. Where are these noble qualities in some of their recent legislation? Must we, after all, go outside of Ontario for the ideal twentieth-century Canadian — the man who respects law, loves justice, and understands the dangers of electioneering finance?

Possibly the Ontario Government will now rest for a while on the laurels they have gained in their recent encounters with Magna Charta. But sooner or later the issue they have raised will come up again, though in what form is not yet apparent.

CHAPTER XI.

RAILWAYS AND RAILWAY FINANCE.

One of the few points in which Canada and the Mother Country closely resemble each other is the mileage of their railways. At the end of 1909 there were 23,280 miles of railway being operated in the United Kingdom, and 24,104 miles in Canada. But the moment we quit that solitary point of similarity we get into an endless succession of differences and contrasts. The capitalisation of the two railway systems has nothing whatever in common. In the United Kingdom it is £56,460 per mile, while in Canada it is not as many dollars per mile. Our railways are weighed down with debentures to the tune of £351,600,000, or £15,100 per mile; and stocks aggregating £962,800,000, or £41,360 per mile. The huge total on which interest and dividends has to be earned is £1,314,400,000. The Canadian system carries less than a fifth of that load. Its bonded debt has been officially stated at $660,946,769, and its capital stock at

$647,534,647 — total, $1,308,481,416. In sterling it is £261,696,283, or £10,857 per mile.

The earning power, the working expenses, and the net receipts of the two systems are also widely divergent, as may be seen below:—

	United Kingdom.	Canada.
Miles	23,280	24,104
Gross earnings . . .	£120,170,000	£29,011,267
Do. per mile . .	5,162	1,203
Working expenses . . .	75,040,000	20,920,017
Net receipts	45,130,000	8,091,250
Do. per mile . .	1,539	336
Percentage of working expenses	62.4	72.1

As might be expected, British railways earn fully four times as much per mile as Canadian railways do. But it is a little surprising to find their net receipts almost six times as much per mile. This difference would appear to more than counterbalance the much heavier capitalisation of the British railways. But many other factors come into play before the final result is reached. The gross earnings of a Canadian railway are quite differently constituted from those of a British railway. They are much simpler and less varied; they contain a much smaller proportion of passengers, and a larger proportion of goods receipts. Of the above, £29,011,267, only 31.21 per cent, or less than a third, was derived from passengers; while 66.65 per cent, or exactly two-thirds, came from goods. On the other hand, British railway

earnings are made up of 41.94 per cent passengers, 50.15 per cent goods, and 7.71 per cent miscellaneous receipts.

The only other railway system of importance which has such a large proportion of passenger earnings as our own is the French. Its receipts are classified as 44.51 per cent from passengers, 53.64 per cent from goods, and 1.85 per cent from outside sources. The German proportions are more like the Canadian and American. In 1909 they were 27.20 per cent from passengers, 65.22 per cent from goods, and 7.58 per cent from miscellaneous. The United States distribution was 21.81 per cent from passengers, 70.44 per cent from goods, and 7.51 per cent from sundries. These comparisons are not of mere statistical interest. They have a very practical significance in so far as goods traffic is, generally speaking, more remunerative than passengers. Moreover, the heavier the freight the more profitable it is, because, as a rule, it affords much better loading. Coal, for example, pays much more than silk or silver-plate.

The most characteristic difference between British and Canadian railway traffics is that while the Canadian railways carried more than two tons of goods for every passenger, British railways carried two and a half passengers for every ton of goods. That is reckoning ordinary passengers only. If season ticket-holders were included, the proportion would be three and a

half passengers for every ton of goods. In these figures we may find the radical distinction between the railway economy of a young country and that of an old one; also between that of a large half-populated country and a small overcrowded one. In order to accentuate the contrasts here dealt with, the principal figures may be thus tabulated:—

1909.	British Railways.	Canadian Railways.
Passengers carried .	1,265,081,000	32,683,000
Season ticket journeys	438,000,000	...
Total passengers .	1,703,081,000	...
Tons of goods . .	499,900,000	66,842,258
Percentage of goods to passengers . .	29.3	204

The most notable peculiarity of Canadian railways is the diversity of their ownership. Some are owned by the Dominion Government, some by Provincial Governments, some by municipalities, some by joint-stock companies, and one or two, I believe, by private individuals. They consequently offer a splendid field for exhibiting the relative merits of public and private management. So far the comparison has been very unfavourable to State control. Two such railways as the Canadian Pacific and the Inter-Colonial, running alongside of each other—the one hardly able to earn its working expenses, while the other pays 10 per cent dividends, with a handsome surplus over

—is an anomaly not to be matched outside of Canada.

In respect of ownership, the Canadian railways hold a middle place between the British and the Australian. The former are all privately owned, while the latter are, with few, if any, exceptions, Government property. Canada combines the two systems, and does not seem to get the full advantage of either. Notwithstanding the brilliant success of the Canadian Pacific, her railways as a whole yield an infinitesimal return on the capital sunk in them. Even for Government railways they have done badly—not half so well, for instance, as the Australian lines. This surprising fact is very clearly brought out in the comparative tables of railway results prepared by the Statistical Department of the London Stock Exchange. The latest of these appears in the 'Official Intelligence' for 1910, and a few examples may be usefully examined here.

The table applies only to Government-owned railways, and the figures are for two typical years, 1898 and 1908. We select the three principal Australian States to compare with Canada—namely, New South Wales, Victoria, and South Australia. In 1908 the Dominion Government was operating 1719 miles of railway; South Australia, 1879 miles; Victoria, 3401 miles; and New South Wales, 3623 miles. The capital ex-

penditure and the cost per mile were in each case as under:—

GOVERNMENT RAILWAYS IN CANADA AND AUSTRALIA, 1908.

	Miles.	Capital Expenditure.	Cost per Mile.
Canada . . .	1719	£19,054,756	£11,085
New South Wales	3623	47,612,666	13,142
Victoria . . .	3401	41,919,376	12,325
South Australia .	1879	13,858,699	7,375

Among the three largest colonies there is a wonderful uniformity in the cost per mile of railway construction. Considering how diverse the physical and climatic conditions were, the range of variation is much narrower than might have been expected. The exceptionally low average achieved in South Australia does not affect the comparison much, as it may have been due to exceptional circumstances—as, for instance, a large proportion of light railway.

The next competitive point that invites examination is the respective earnings of the four railway systems. First, we tabulate the gross earnings thus:—

GOVERNMENT RAILWAYS—GROSS EARNINGS, 1908.

	Miles.	Total Gross Earnings.	Per Mile.
Canada . . .	1719	£1,849,783	£1076
New South Wales .	3623	5,028,450	1388
Victoria . . .	3401	3,883,742	1142
South Australia .	1879	1,741,259	927

Still a fair degree of uniformity is observable,

but it suddenly disappears when we come to working expenses. The small average earnings of the South Australian lines are only another indication of a considerable mileage of light railway. Working expenses compare thus:—

GOVERNMENT RAILWAYS—WORKING EXPENSES, 1908.

	Miles.	Total Expenses.	Per Mile.
Canada	1719	£1,957,506	£1138
New South Wales . .	3623	2,952,824	815
Victoria	3401	2,450,318	712
South Australia . . .	1879	969,530	516

Whatever may be the causes of these remarkable discrepancies they tend to shake faith in the supremacy of the Canadians as railway experts. If they are to be judged by the management of their Government railways they must be set down as the opposite of experts. But a pretty large allowance must be made for the long Canadian winter with its snow blockades and extra costs of maintenance. The net earnings necessarily suffer from such a high rate of working expenditure, and here Canada makes a very poor showing.

GOVERNMENT RAILWAYS—NET EARNINGS, 1908.

	Miles.	Total Expenses.	Per Mile.
Canada	1719	£101,723[1]	£59[1]
New South Wales . .	3623	2,075,626	573
Victoria	3401	1,433,424	421
South Australia . . .	1879	771,729	411

It is creditable to the Australian railways that

[1] Loss.

three large systems operating independently and in many respects under different conditions should come out so near each other in the final result. The range of variation in their net earnings is only from £411 to £573 per mile. Even British railways seldom reach such a level of uniformity. As for the Dominion railways they are quite out of it. With their dead loss of nearly £60 per mile on operating against the Australian net earnings of £411 to £573 per mile, they appear to belong to a different planet. In the forty years of their existence they have hardly ever earned a cent of interest on their capital cost. On the other hand, all Australian railways are earning a fair rate of interest, and some of them are rapidly redeeming their capital. The smallest rate they show is 3.42 per cent in Victoria; the next best is 4.45 per cent in New South Wales; and the highest 5.57 per cent in South Australia.

If Canada were getting even the lowest of these returns on the three or four hundred million dollars of her public money that has gone into railways in one way or another, she could remit one-fifth of her customs duties right away. Interest at 3½ per cent on $350,000,000 is $12,250,000,—a big debit for an up-to-date industry to have to acknowledge, especially in a twentieth-century country.

The above £19,054,756 of capital expenditure is, it should be explained, only the cost

of the Canadian railways directly owned and operated by the Government. It takes no account of the subsidies, loans, and other contributions made to privately built railways. Nearly every railway in the Dominion has cost the public something either in rates, taxes, subsidies, or capital guarantees. Some of them have drunk freely at all three taps. Between 1883 and 1908, say a quarter of a century, no less than 788 separate and distinct subsidies were granted. This was at the rate of more than thirty per annum. Ottawa politicians must have spent the best part of their parliamentary time in engineering subsidy bills. At the 31st March 1909 they had cost the Dominion Government 135½ million dollars, distributed thus:—

DOMINION RAILWAY SUBSIDIES TO 31ST MARCH 1909.

Cash subsidies	$77,028,080
Loans	15,576,533
Paid to the Quebec Government .	5,160,054
Cost of line handed over to the Canadian Pacific Railway Co.	37,785,320
	$135,549,987

At the same date the Provincial Governments had subsidy accounts aggregating over 36 million dollars ($36,169,864), and the municipalities had launched out in the same direction to the tune of nearly 18 million dollars ($17,824,823). These three items make up the following grand total of 189½ million dollars distributed among railway

builders practically as free gifts. Neither the Dominion Government nor the Provincial Governments nor the municipalities get a penny of interest on that outlay.

CANADIAN RAILWAY SUBSIDIES TO 31ST MARCH 1909.

Dominion Government . .	$135,549,987
Provincial Government . .	36,169,864
Municipalities	17,824,823
	$189,544,674

Large as it looks, that total is exceeded by the amount which has been directly spent on the construction of Government railways. On the 31st March 1909 this was stated at $215,445,562. Nearly half of the amount appears to be chargeable to the National Trans-Continental line still under construction. How much will be needed to complete it is about as uncertain as the final cost of the Panama Canal. All we can be sure of at present is that the Government railways in actual operation have cost so far 111½ million dollars. This includes, however, the Temiskaming and North Ontario line which belongs to the Ontario Government. The details are as follows:—

DOMINION GOVERNMENT RAILWAYS, 1909.

	Miles.	Capital.
National Trans-Continental . .	—	$71,934,547
Intercolonial	1447	88,006,989
Prince Edward Island . . .	269	7,707,259
New Brunswick Coal Railway . .	58	1,964,640
		$169,613,435

ONTARIO GOVERNMENT RAILWAYS, 1909.

	Miles.	Capital.
Temiskaming and Northern Ontario	265	$13,867,015

The Dominion Government has had four successive adventures in railway building. It contributed three millions sterling to the Grand Trunk line. It endowed the Canadian Pacific to the extent of fully sixty million dollars in hard cash apart from the twenty-five million acres of a land subsidy. It has spent a similar amount on the Intercolonial System, and it is now spending twice as much on the National Trans-Continental.

A coincidence worth noting is that the most profitable and the least profitable of these railway ventures cost the Dominion almost exactly the same amount. When the Government account with the Canadian Pacific Company was finally settled in 1904 the total outlay of public money was found to be $62,785,000. At the same date (30th June 1904) the aggregate cost of the Intercolonial Railway was stated at $62,729,000. But the resemblance between the two investments stops there. While the sixty-two million dollars spent on the Canadian Pacific has been as bread cast on the waters, the similar sum sunk in the Intercolonial has been seed sown on the stoniest of stony ground. The only heavy crop it ever produced was annual deficits intermingled with political scandals. Only in eleven years out of forty-two has it ever shown even a nominal surplus. As recently as 1909 its working expenses exceeded its gross earnings by $870,167.

So far then the Canadian Government has not been fortunate either as a builder or an operator of railways. After several discouraging failures it is now engaged on a gigantic scheme which throws all the others into the shade. It is to be hoped that the National Trans-Continental will in time atone for the disappointments of the Intercolonial Railway and the Government-built sections of the Canadian Pacific. But the whole blame of past failures should not be thrown on the politicians. They have made many mistakes and committed sins of all kinds against good railroading, but they have had very difficult conditions to centend with.

Nor should it be assumed that they alone have failures recorded against them. Private enterprise has, with a few conspicuous exceptions, fared little better than the Government has done. The Dominion has as yet produced only one Canadian Pacific and the Grand Trunk is quite a sufficient offset to it. The latter may now in its turn become a credit to Canada, but that is still in the future. The Canadian Northern is advancing rapidly to the position of a great trans-continental road. But apart from these three systems there are few very successful roads either national, provincial, or private. Many of the pioneer lines were rescued from bankruptcy by being absorbed into the Grand Trunk or Canadian Pacific. Some of the younger ones appear to be qualifying in the same way for absorption.

In looking through the official railway statistics of the Dominion, one is amazed at the number of roads which are not earning their working expenses, let alone fixed charges. Most of them are, it is true, short local roads, but the cumulative effect of their losses must be considerable. It does not sound well that the working expenses of the Intercolonial amounted in the year ended 30th June 1908 to fully 104½ per cent of the gross earnings. But that is by no means the worst example in the list. Another Government railway — the Prince Edward Island — requires 130½ per cent of its gross earnings to operate it. In other words, it costs one-third more than it earns to keep it going. And there are private railways which beat even that bad record.

High working expenses are, in fact, the rule and not the exception on Canadian railways. In a catalogue of eighty-seven lines, whose accounts have been analysed in the official statistics, less than half a dozen show working expenses under 50 per cent. A similar number average from 50 to 60 per cent. Nine or ten are between 60 and 70 per cent, making altogether about twenty out of the eighty-seven lines worked at less than 70 per cent. That seems to be bed-rock for working expenses in Canada, and when climatic conditions, combined with a seven months' winter, are taken into consideration, there is little to wonder at in it. A British critic is more likely to be surprised by the maximum than by the minimum percentages of operating cost. The former run up into the

hundreds, the top notch being occupied by the Philipsburg Railway and Quarry Company with 380.42 per cent of expenses to earnings. Fortunately it is a very small concern, and the quarry perhaps makes good the losses on the railway.

Even railways with a fair amount of business are frequently run at a loss. The Atlantic, Quebec, and Western—that white elephant of the defunct Charing Cross Bank—had in 1908 a revenue of $8813, and an expenditure of $22,182, leaving a deficit of $13,369. The Midland Railway of Manitoba spent in the same year $91,457 in earning $33,478. British Columbia is gridironed with little roads which are not self-supporting, and must live on subsidies and guarantees. Thus it is not the Government alone that has been unlucky in the railroad lottery. But it is by far the biggest loser. The dead money sunk in the Intercolonial alone outweighs all the losses on every other failure in the Dominion. Since 1876, when it was opened as a through east to west line, over eight million dollars have had to be paid out of the Treasury to cover deficits in its working expenses. In addition, interest has had to be paid on the original cost of construction, which averaged fully $60,000 per mile. At 4 per cent that would amount to $2400 per mile, equal to $3,480,000 a-year for the whole 1450 miles.

Between deficits in earnings and three and a half millions a-year of fixed charges, the Intercolonial Railway has cost Canada about 120

million dollars, more than enough to rebuild it to-day from end to end. But there has been a worse investment still. The Prince Edward Island, which also dates from 1876, has piled up in its thirty years' existence two and a half million dollars of annual deficits. The Intercolonial achieved a surplus occasionally, but the Prince Edward Island never. Its history is a continuous and unbroken catalogue of deficits. The nearest it ever came to financial equilibrium was in 1906-7, when the deficit was reduced to $36,982. But it has been as high as $153,000, which, with $300,000 for interest on capital cost of 7¼ million dollars ($7,215,000), made the loss in that particular year (1904-5) fully $450,000.

The Ontario Government has had much better luck in railroading than that of the Dominion. It is the proud possessor of the Temiskaming and Northern Ontario, the only publicly owned bonanza railway in Canada. Thanks to the silver mines of Cobalt, it is turning out a fair property instead of the white elephant which it might otherwise have proved. Even it barely covers its fixed charges, however. In the last reported year (1908) it saved only $95,000 net out of $805,000 of gross earnings. The railway statistics give no particulars of what it cost to build or how it has been capitalised by the Ontario Government. Whatever its nominal capital may be, $95,000 a-year would not pay a high rate of interest on a 200-mile road.

In 1908 the operating of both the Dominion Government lines — Intercolonial and Prince Edward Island—resulted in a net loss of $60,727. The Prince Edward Island, in fact, made the whole loss, its deficit having been $95,368. The Intercolonial showed a surplus of $34,640, of which only one-half was its own earning. The other half came from the Windsor Branch, which is operated by the Dominion Atlantic, an English company now controlled by the Canadian Pacific. It is worth noting that the rental of a 32-mile branch produced nearly as much net income to the Intercolonial as the fourteen hundred and odd miles worked by the Government itself. The figures as given below are rather interesting :—

	Miles.	Profit.	Loss.
Intercolonial . . .	1450	$16,123	$ —
Windsor Branch . .	32	18,518	—
Prince Edward Island .	267	—	95,368
	1749	$34,641	$95,368

Net loss $60,727 on a railway system of seventeen hundred and fifty miles, the greater part of which has been nearly forty years in operation. And there seems to be no end to the dreary succession of deficits. Even in the boom times, when traffic grew by leaps and bounds, and all other railways were rapidly expanding, the Intercolonial continued to overspend itself. The worst year in its history was 1904-5, when it came out with a loss of nearly a million and three-quarter

dollars ($1,725,303). Next year it showed a nominal surplus of $61,915, but in 1908 deficits reappeared. The expenditure of that year exceeded the revenue by no less than $413,000, and without any visible or intelligible cause. Few railway systems have a finer territory to operate in, and few have a greater variety of traffic or better facilities for handling it. Why, then, should these miserable results repeat themselves year after year? The Canadians owe to themselves a rational explanation.

Side by side in the official statistics with the Intercolonial Railway stands the Canadian Northern with a similar volume of business in 1908. But while the Intercolonial lost on it $413,138, the Canadian Northern made a profit of over three million dollars ($3,181,000). The respective earnings, expenses, and net results compare very curiously:—

	Intercolonial Railway.	Canadian Northern.
Gross earnings . .	$8,935,934	$9,709,462
Working expenses .	9,349,072	6,527,768
Net loss . . .	$413,138	—
Net profit . . .	—	$3,181,694

Between the Intercolonial and the Canadian Pacific there are, of course, few points of similarity, but the few there are serve to aggravate the mystery of their widely different results. A striking discovery which may be made in the

official statistics is that their average receipts per passenger per mile are almost identical—0.1845 cents on the Intercolonial, and 0.1898 cents on the Canadian Pacific. In freight earnings the Canadian Pacific has an advantage due to the higher rates current in the west than in the east, but the difference is after all not very serious. The Intercolonial average per ton per mile was in 1908 0.578 cent, and the Canadian Pacific's 0.742 cent. The earnings per train mile were, of course, materially larger on the Canadian Pacific. Passenger trains averaged $1.57 cents against the Intercolonial's 94 cents; while the freight train averages were $2.20 cents for the Canadian Pacific, and $1.24 cents for the Intercolonial.

But the Intercolonial earnings per mile, though well below those of Canada's leading railway, are by no means among the lowest. On the contrary, they are quite up to the standard of Ontario roads generally. Judged by them, the Intercolonial ought to be not only a self-supporting, but a fairly remunerative road. In going over it, one receives a very decided impression that under strictly business management it ought, in spite of all its drawbacks, to pay well. It is for the Canadians again to explain why it does not pay. They favour us frequently with frank opinions about British decadence, but our decadent railway system has at least no running sore like the political railroads of the Dominion.

At the same time, it should be noted that they

seem to be at last becoming ashamed of their political railroading. A resolute attempt is now being made to abolish the "patronage" system, which for years has been the curse both of the civil service and the Government railways. We are assured that at last they are to be taken out of politics and run on business lines. It will be a happy day for Canada when they are.

CHAPTER XII.

THE IMMIGRATION PROBLEM.

One of the most urgent of the many questions on which the Mother Country and the oversea Dominions have yet to come to a proper understanding is immigration. There is no subject in which the ideal and the real differ so widely from each other as in this. On none is so much perfervid eloquence expended in vain, or so much futile unorganised effort wasted. It is a glaring case of too many cooks spoiling the broth and their own tempers at the same time. The fact that a recent conference on immigration drew together no fewer than forty-four different agencies is sufficient proof of the confusion and overlapping which prevails in this particular branch of social economy. Allowing for societies unrepresented at the conference, there are possibly over a hundred agencies labouring more or less inefficiently on a task which could be much better, as well as more economically, done by three or four.

Such a superabundance of voluntary effort be-

tokens lack of system. Much as we talk about immigration, we have no immigration policy, and have not for years had anything worthy of the name. When we had such a policy—and it is now three-quarters of a century ago—it was not called immigration but colonisation. In the early days of Australia there was a colonisation policy, and a very interesting one. But the *laisser faire* craze which came in about the middle of the nineteenth century did not agree with it. A "go-as-you-please" and where-you-please policy was gradually substituted for the old-fashioned method under which *bona-fide* "plantations" were formed and carefully nursed until they were able to take care of themselves. When immigration was left to the vagaries of private enterprise emigrants wandered all over the world, and many more of them drifted into the United States than into all the British colonies put together.

The next stage in the downward progress of the British emigrant began when he had to be exported in shiploads for the relief of the labour market. Boards of Guardians and charitable societies took up the work which should have been directly supervised by the State. Immigration became a shovelling out of paupers, incapables, and undesirables. It was this sort of immigration that the forty-four agencies discussed at the recent conference. They did not, and could not, speak very hopefully about it. Nearly the

whole burden of the speeches was a lament over the difficulties and defects of the movement. Like our popular education, our haphazard emigration is a most unsatisfactory investment. As failures generally do, it is giving rise to a large amount of self-reproach and recrimination. Each of the various agencies is keenly conscious of the shortcomings of all the others, but no definite remedies suggest themselves.

If colonists of forty or fifty years' experience could be consulted they might be able to throw some light on our immigration troubles. They might recall some of the colonising experiments of an earlier to-day, which succeeded because they were business-like. South Australia is a notable example. It was planned and organised with one ruling thought, which after many vicissitudes was carried to a triumphant issue. Every settlement was to be complete within itself; a nucleus town, in fact, with all the equipments and the machinery of civic life. It was purposely concentrated, and its land laws and regulations were expressly framed so as to prevent undue diffusion. The original constitution of the colony fixed the minimum price at which land should be sold at a pound an acre. It also provided that all the money derived from land sales should be applied to the construction of roads and the importation of labour.

Another of its peculiarities was "the family emigration system," which appears to have

been the exact reverse of the policy now being strenuously enforced in Canada. Instead of unmarried emigrants being preferred, as they are at Canadian ports, and difficulties being thrown in the way of families going out, it was provided that "no person having a husband or wife or a child or children shall by means of the Emigration Fund obtain a passage to the Colony unless said husband or wife or the child or children of such poor person shall be conveyed thither." When *bona-fide* colonisation was in vogue whole families went out together, and every encouragement was given to persons anxious to join their relatives. But under the Canadian system of importing labour, British or foreign, no matter which, it is only the able-bodied worker who counts. All the others are regarded as encumbrances and possible burdens on the State.

If the question is to be treated simply and solely from the labour point of view the Canadians will have a reasonable excuse for their restrictive policy. They take up a position which is universally recognised in international law that no State is bound to assume responsibility for any one born outside of its jurisdiction. In the case of aliens there can be no doubt about its right to discriminate. Though British-born subjects may have a better claim than aliens, it, too, must be subject to reasonable conditions and safeguards. It could not be seriously contended

by our emigration agencies that Canada is bound to let herself be used as a dumping-ground for our human refuse. On the other hand, it may be fairly claimed that no British colony has a right to close its doors against any class of British subjects not personally objectionable. It may refuse to admit wastrels and incapables, but that is very different from barring out British artisans or tradesmen.

There is, however, a wider and more statesmanlike ground on which the problem may be discussed. The Mother Country may waive its right to dump surplus labour on the colonies, and substitute therefor a claim to facilities for colonising. If she would take the trouble to frame schemes of colonisation adapted to her own people and their peculiar needs, any colony with suitable land to spare might be proud to supply a suitable site. In this direction the forty-four emigration agencies might find a most useful outlet for their energies, and one involving no risk of friction with the colonial authorities. A good lead has been already given to them on the Canadian side in Sir Thomas Shaugnessy's scheme for planting British farmers on land previously prepared for them. This, in fact, is what the British emigrant needs, as a rule. He is little good at pioneering work, though he might make an excellent settler when that had been done for him.

Colonisation schemes are, as I have shown,

no new thing for Englishmen or Scotchmen. Many special colonies have been started—such as the Rugby Settlement, the Edinburgh colony in Iowa established thirty years ago, and charitable experiments of various kinds. They may not, as a rule, have been conspicuously fortunate, but the least successful of them was better than indiscriminate dumping. Frequently they were premature, and had they been tried twenty or thirty years later they might have met with a better fate. What was premature twenty or thirty years ago might be exactly what is needed now. This may be, and in fact is, an ideal time for systematic colonisation. Special settlements may now be tried with every prospect of success, provided the location be suitable and the management rational.

The very people who are now being rejected as undesirables might with a moderate amount of training and organisation make very good settlers. But it is their own people, and, above all, their own Government that should train and organise them. If the Colonial Office, or the Local Government Board, or any other public authority will undertake that essential preliminary, the Dominion Government would, I have little doubt, gladly furnish all the land needed to settle upon. Organisation and method are wanted here as in every other branch of modern industry. It is the haphazard, happy-go-lucky methods of the philanthropic emigra-

tionist that create difficulty and set up friction between the two countries. The spirit in which they should co-operate was happily expressed twenty years ago by our late lamented King on a memorable occasion. Speaking at the celebration of the majority of the Royal Colonial Institute, he drew the following ideal picture of how the Empire should be colonised and welded together into one imperial whole:—

> The Colonies offer happy and prosperous homes to thousands who are unable to gain a livelihood within the narrow limits of these islands owing to the pressure of over-population and over-competition. We regard the Colonies as integral parts of the Empire, and our warmest sympathies are with our brothers beyond the seas, who are no less dear to us than if they dwelt in Surrey or Kent. In transferring themselves to our Colonies instead of to foreign lands they retain their privileges as citizens of this great Empire, and live under the same flag as subjects of the same Sovereign.

That lifelike picture of an ideal British Empire has since become somewhat blurred and faded, but there is no reason why it should not be restored. Undeniably there has been some drifting apart between Mother and Daughters, especially in Canada, and the finest tribute that could be paid to the memory of the much-lamented King Edward would be a cordial endeavour to draw closer the ties which from various causes have tended to slacken. An immigration scheme specially adapted to the needs of the Mother Country would very

appropriately inaugurate such an endeavour. There are faults and mistakes to correct on both sides. The Canadians may have been a little too keen in looking after their own interests and requirements, but we on the other hand have never systematically studied either their interests or our own.

Nor should it be forgotten that Canadians as well as "Britishers" have had their moments of imperial rapture which they seem to find it rather difficult to live up to, especially in their Immigration Department. It is only a few years since Sir Wilfrid Laurier was apostrophising Canada as the true "Kingdom of Heaven" to which all were welcome and in which all were treated alike. One particular oration in this celestial key still lingers in our memory. He delivered it at the inauguration of the Province of Alberta on the 1st September 1905, and this was one of its purple passages:—

> Let me say to one and all of our new fellow-countrymen that the Dominion of Canada is in one respect like the Kingdom of Heaven. Those who come at the eleventh hour will receive as fair treatment as those who have been in the fold for a long time. What we have we want to share with them—our land, our laws, and our civilisation. Let them be Britain's subjects, let them take their share of the life of this country, whether it be municipal, provincial, or national. Let them be electors as well as citizens.
>
> We do not anticipate and we do not want that our new fellow-citizens should not look to the past, but let

them also look to the future; let them look to the land of their ancestors, but let them also look to the land of their children. Let them become Canadians, British subjects, and give their heart and soul, their energy, their vows to Canada, to its institutions, to its King who, like his illustrious mother, is a model constitutional Sovereign.

By that standard, at once eloquent, poetic, and statesmanlike, we are content to judge Canada's relations to the Empire. The most delicate of them all, and the most liable to produce misunderstanding with the Mother Country, concerns the British immigrant. Does he always find Canada the Kingdom of Heaven which her Prime Minister has again and again pictured it? To say nothing of the Indian coolie, is there always an open door and a fair field for the "Britisher," as he is called nowadays? That he has his failings we admit, but they are generally on the surface, and underneath there are sterling qualities for which he does not always get credit in a land of hustlers and new-born millionaires. May it be suggested in the mildest and most delicate way that on the Canadian side there may be a little too much consciousness of new-born power?

At the bottom of the difficulty there are two opposite facts to be noticed—first, that Canada is suffering from a sudden access of prosperity which may warp her judgment a little on imperial questions; secondly, that the Mother Country has, through excess of parochialism and *laissez faire*,

drifted into labour troubles for which emigration is at present the only available remedy. She must have outlets for her surplus population, and the most natural place to transfer them to is surely her own colonies. As their suzerain, as original owner and grantor of their vast landed estates, she is entitled to their help in providing new homes for the people who can no longer maintain themselves in these islands.

This is not a petty official question of immigration regulations and restrictions. It is a big imperial question between the Home and the Dominion Governments. They are both wrong and neglectful of their duty in leaving it as they do to the chance operations of emigration agencies. Nothing short of a large colonisation policy cordially promoted by the two Governments can meet the necessities of the case. To the Canadians this subject should appeal even more strongly than to the Mother Country. They have so far been the chief gainers by the imperial connection, and they will long continue to be so. They will also be the ultimate gainers from every wise and business-like scheme of colonisation in which they join hands with the Mother Country.

In the near future there must be various readjustments of the burdens of Empire between Britons at home and Britons oversea. This is one of the most urgent of them, but there is no sign as yet, either at home or in Canada, of

statesmanship equal to the occasion. It heads the long list of difficult problems with which for years we have been fumbling. The defence problem, the tariff problem, the financial problem, the labour problem, and one which endangers them all—socialism—are quite as bewildering in the New World as in the Old. Canada has her full share of them, and they all bring her more or less into contact with the corresponding problems of the Mother Country. We are burdened with an over-supply of labour, while she is supposed to suffer from scarcity. We have surplus capital, while she is supposed to offer an unlimited field for its profitable investment. We have surplus manufactures which she is willing to buy from us on preferential terms, but we scorn to accept any advantage whatever over our foreign competitors.

At first sight it might seem that questions of that sort should be easily settled between two nations ready to meet each other on a plain business basis. They are business questions, and if they were left to committees of bankers or merchants they would probably be all satisfactorily arranged within six months. But politicians, philanthropists, doctrinaires, and faddists of all kinds have got hold of them and are driving them round and round in vicious circles. Tariff debates, immigration debates, imperial defence debates, are simply so many different ways of "whipping the devil round the stump." After years of such debating carried on with every possible variety

of eloquence and enthusiasm, we find ourselves in these matters just where we were at the start.

The immigration problem in particular has had a great deal of mishandling. Government Departments have got into trouble and disgrace over it. Charitable Societies have with the best possible intentions only helped to muddle it. Railway companies have taken a hand in it and not always successfully. Even the splendid organising powers of the Salvation Army have sometimes fallen short of the occasion. On a calm review of Canadian immigration during the past five or six years, it will be found that much of it has been disappointing in one respect or another. The proportion of indisputably good results which it has yielded is small, and most of that has been due to voluntary, independent, and self-supporting immigration.

CHAPTER XIII.

BRITISH *VERSUS* POLISH LABOUR.

THE misunderstandings which occasionally arise between Canada and the Mother Country about immigration may be largely due to the fact that they have diametrically opposite views of the ideal immigrant. What the Canadians want is a plentiful and not too expensive supply of suitable labour for opening up a new country. What we have to offer them is surplus population without any guarantee either of quality or capacity. In practice it is infinitely varied, ranging from the best class of immigrants to the worst.

On the one hand, there could not be a more useful recruit for a new community than one of our skilled workmen—English, Scottish, or Irish. If any one beats him it is a healthy farm labourer from north of the Tweed. He and the American farmers from Iowa and Minnesota run each other close as capable settlers. *Per contra* there could hardly be a more troublesome immigrant than the half-educated British workman, who stands very much on his dignity, and is always lamenting

the loss of his beer. But even out of him the Canadian employer can generally get his money's worth. Out of a willing worker he often gets more than his money's worth. British emigrants, taking them all round, good and bad alike, have well earned every penny paid them in Canada. Against the uncomplimentary gossip of Toronto and Winnipeg reporters regarding them may be set the official verdict of the Immigration Department. As given year by year in the official reports, it is invariably favourable to British immigrants. Mr W. W. Corry, the Deputy-Minister of the Interior, thus wrote on the 31st March 1908:—

I desire to add, however, that, in my opinion, there are scarcely any grounds for the uneasiness manifested as to the large proportion of undesirables who found their way to Canada from the British Isles. It is true that some otherwise deserving immigrants who had not, on entering Canada, the necessary means to permit them to at once become self-supporting, may have been induced to come through the injudicious zeal of philanthropic societies engaged in this class of work. But of this class there were only few as compared with the hundreds of thousands of British immigrants who have been added to our population. . . . According to the report of the chief medical inspector, Dr Boyce, after a rigid inspection at the ports of landing, 1002 immigrants were refused entry, out of which 112 were British, or about one-ninth of the total exclusions, although British arrivals last year were nearly one-half of the total immigration. This proportion is a highly satisfactory one, and, on the whole, when one considers

the strenuous efforts that are being put forth by other colonies to attract British settlers to their shores, it must be admitted that, from a national point of view, Canada has been singularly fortunate in this respect.

When their own officials thus protest against the slurs cast on British immigrants, the Canadians might at least be a little more careful in their judgments. It does not follow that because the "Britisher" is not a ready-made logger, or a navvy, or a miner, that he is therefore no good. Whenever he gets work suited to his physique and his level of civilisation, he turns out all right as a rule. But when he is thrown, as he often is, among a crowd of filthy, unkempt Poles and Hungarians, he is to be excused for feeling out of his element. In such surroundings he may not be worth quite as much to the lumber man or the railway contractor as the less civilised alien, but is that quite a fair test to apply to him?

Galicians, Slavs, Greeks, Italians, and Hungarians are now to be met with on every railroad and in every mining camp from the Atlantic to the Pacific. They have spread farther and faster than any of the British immigrants. Without a word of English or the slightest knowledge of the country, they have found their way into its farthest corners. While the British immigrant has clung desperately to the eastern cities, the Galician and the Pole have gone out west, where they were needed. Consequently they

have made money while the fastidious Britisher was starving or living on charity.

One's first impulse is to condemn the fastidious Britisher and to commend the adaptable Galician, but that would not be a fair judgment on the whole case. The true explanation of these different results is that the Galician suits the situation while the "Britisher" does not. What Canada needs above everything else, and will continue to need for years to come, is brute force. She can provide all the necessary brains and the machinery. She can borrow as much capital as she likes. She has land without limit and mineral resources which are only beginning to reveal their magnitude. In order to utilise to the fullest extent all that natural wealth, men are needed who will dig and lift and carry for so much per day without asking any questions.

Three-fourths of the labour required in Canada is of the muscular sort, and any one who has been on the spot sees at once the advantage which the foreigner has over the "Britisher" in providing it. To begin with, he has more thew and sinew. Generally, he has had greater experience of such heavy work, and can stand up to it better. He can be lodged and fed with less trouble and at less expense. His ignorance of the local language renders him more manageable and less able to create mischief. Add to all these natural advantages—from the employers' point of view—the fact that he can be hired in

droves through agents, who become responsible for him, and it will be seen what a poor chance British labour has in competition with that of the fresh-caught Pole or Hungarian.

It is an almost parallel case, differing only in degree, with that of white and coloured labour in the Rand mines. Chinamen would be the ideal hewers of wood and drawers of water in Canada as well as in South Africa, but the trade-union prejudice against them is invincible in both countries. Next to them would be the Japanese, but they are also barred by their white competitors. The Chinese and Japanese boycott might long ago have made serious trouble for Canadian as well as for American employers if they had not had the modern Goths and Huns to fall back upon. These people are, as labourers, on a very slightly higher level than the Chinese. They submit to similar discipline and allow themselves to be handled in much the same way—that is, in droves.

On one occasion when visiting an iron mine in the neighbourhood of Sudbury I saw some of this European coolie labour in operation. The mine, which was about thirty miles from Sudbury, had been shut down for a time, and was about to be restarted. A first batch of foreigners had been recruited, and was going to be sent up that day in an "accommodation train." Ten minutes before the time announced for starting I arrived at the station—a wooden shanty, planted close

to the track. Round the door of the shanty a small crowd of men had gathered. They were all obviously foreign, and rough at that.

To judge from their looks and their costumes there might have been half-a-dozen nationalities among them: one wore the sheepskin jacket of the Galician peasant, another had earrings and an Italian complexion to match, another was a long-coated Russian in a fur cap. Every man had some distinctive mark about him, and the only thing they had in common was a more or less villainous look. The least fascinating among them was an active little man, with a vicious squint, who bustled in and out of the office. Finally he came out with a paper in his hand, from which he read a list of names. They all answered to their names except three or four, who seemed to have been plotting mischief beforehand. One of them, evidently their spokesman, put a number of questions to the agent, and at each answer he received he shrugged his shoulders to indicate that it was not satisfactory.

After some altercation the three or four dissentients went off into the town to wait presumably for an improvement in the labour market. The agent counted those who remained, and got tickets for them at the booking office. They were then told to get into a smoking car at the end of the "accommodation train." They had one-half of the car, while several officials connected with the railway or the mine occupied

the other. About a quarter of an hour after we started I looked into the foreign compartment, and what a sight! Some were smoking cigarettes, and spitting their hardest over floor and seats and everywhere. Some were sleeping, with their feet on the seats or on their neighbours' heads — wherever they happened to drop. It might have been good discipline for a British workman to have to travel in such company, but I should have been sorry for him all the same.

At lunch I had another characteristic sight of the European coolie. A quarter of a mile from the mine there was a new-born town, consisting of huts for the miners and a few houses for the principal officials. In the centre was a large wooden shed, the dining-room of the establishment. When we entered, the three long tables, running the whole length of the hall, were well filled, and dinner was in progress. A little room boarded off in a corner of the hall was reserved for the officials, but otherwise no class distinctions were visible. There was no table linen, no crockery—no nonsense of that kind. The dishes and drinking-cups were all of thick enamelled iron. The knives and forks were of the strongest, and the food was rough, but plentiful. First course, corned beef and vegetables; second course, slabs of apple pie; third and last course, cheese and crackers.

Men pay so much per month for full board,

or they may pay a fixed rate per meal. Newcomers generally arrive in a "stony broke" condition, and have to get their first fortnight's grub on credit. If, as often happens, the place is not to their liking, they loaf around for a few days, and then decamp without saying goodbye either to the steward or the boss. This is a true picture of a Canadian mining camp of the present day. And a railway construction camp is much the same. In both cases the bulk of the men to be found in it are foreign immigrants, such as I travelled with from Sudbury. I heard subsequently that they are brought out in droves, and passed on from one agent to another until they get right away up to Edmonton or farther. Mining or railway companies when they need such labour call on the local agent for it. He rounds up all that there may be in the neighbourhood, and gets a dollar and a quarter per head for his pains.

If there be any humanitarian cranks out of a job they may easily work up a new slavery crusade in connection with these Canadian camps. The Galician immigrant in the North-West is the Chinese coolie all over again in a somewhat milder form. And if he has a little more freedom left to him than the Chinaman on the Rand, he is not half so well taken care of. But he suits the Canadians, and that, for them, is the main point. The average "Britisher," as he is now called, has neither the sinew nor the

stupidity nor the patience to compete with these foreign pick-and-shovel men. He is consequently less appreciated in the North-West. When to his physical defects he adds, as he often does, excessive egotism and inconvenient thirst, he disqualifies himself for camp work.

It was undoubtedly a mistake to send out thousands and thousands of Cockney immigrants without making sure beforehand that there were suitable openings for them. But that was the mistake of the Canadians. It was hardly generous in them when they discovered their error to turn round on the misplanted Cockneys and abuse them as "undesirables." They had their faults, doubtless, but there were also disappointments on their side. When thousands of them got stranded, a good deal was done for them in the way of charity. Those who knew how to exploit charitable societies practised that familiar art very successfully. But the men who wanted work rather than charity did not come off so well. In Ontario especially they had hard times. The thrifty Ontario farmer was not above taking advantage of their distress.

Clergymen and other impartial people have had some strange stories to tell of young Englishmen taken on by Canadian farmers. They would be offered half the regular wages for farm work in the busy season, and when it was over they would be given the option of leaving or of working all through the winter for

bare food. In some cases it was proposed to charge them for their board and take their work for nothing. Even educated Englishmen have been treated in this way, and youths fresh from public schools have sometimes had to pay dearly for their apprenticeship to Canadian farming. When the Canadians rail at British "undesirables," it may therefore be well to remind them that they have had some cheap bargains from the old country as well as some bad ones.

Taking one thing with another, the British immigrant has served Canada quite as well as the foreigner. When he fails the fault is not always and entirely his own. This is even more true in regard to skilled than to unskilled labour. It is not unknown in the higher professions. English engineers will soon have disappeared from Canadian railways. A new man has very small chance nowadays to get even a humble position on the Canadian Pacific or the Grand Trunk. He will probably be told that English engineering is all "filigree work," which does not suit the Titanic ideas and methods of the North-West.

The time is fast approaching when Canada will want neither skilled nor unskilled labour from the old country. It will need nothing from us but money, but of that it will be always ready to take whatever we can spare. British mechanics, British engineers, British railwaymen, British experts

generally, will be accepted only as stop-gaps. What has been going on for years in the preference of alien to British labour will extend gradually to the skilled trades and the professions. The ideal Canadian immigrant is the man out of whom most work, and the heaviest kind of it, can be extracted for a dollar and a half or two dollars per day.

All the cablegrams from British Columbia, Alberta, and Saskatchewan about acute scarcity of labour should be read with that fact in mind. Nine-tenths of them come from railroad or mining or lumber camps, where there is a rush to get the greatest possible amount of work done in the short summer season. From October to May they cease entirely. Navvies, miners, and lumber-jacks then drift back to the cities, and often have hard winters to pull through.

At the root of the Canadian immigration problem there is a physical and climatic difficulty to be got over. The long severe winter limits the number of labourers who can be safely imported in summer. In past years that limitation has not always been carefully observed. In the enthusiasm of the busy season many more immigrants have been called for than could be taken care of in the slack season. The Canadians cannot be blamed for having of late discovered that they were overdoing the scarcity of labour cry, or for trying to regulate the supply more accurately. That is the obvious intention of the restrictions they are be-

ginning to place on immigration, but their methods are open to criticism, and have, in fact, received a good deal of it. Friction between them and our principal immigration agencies has got into a rather heated stage, and the recent Conference at the Hotel Metropole was not altogether amicable.

But while making the most liberal allowance for the many difficulties that surround the herculean task of peopling a new continent, it has still to be considered whether the claims of the Mother Country are at all times being fully appreciated by the Dominion authorities. Is there not some ground for the objections made by Sir C. Kinloch Cooke and others to the ever-changing regulations of the Immigration Department? Are they strictly fair and just to British immigrants as compared with their Galician and Polish competitors? It is a bad thing in itself that British labour should have to encounter such competition in a British colony, but when it has, the encounter should at least be on equitable terms.

Apparently the latest regulations are in effect, if not in intention, decidedly favourable to the Galician and Ruthenian. They close the door against all but this lowest grade of immigrants—the hewers of wood and the drawers of water for Canadian farmers, mine owners, and railroad builders. Artisans, skilled workmen of all classes, and even professional men, are tabooed. As these classes have gone chiefly from the Mother Country, the veto is specially aimed at them. It excludes

the best class of British labour for the benefit of the half-civilised foreigners, who can be relied upon to take their dollar and a half a-day and ask no questions. This is hardly in accordance with the "Kingdom of Heaven" gospel which Sir Wilfrid Laurier preached so eloquently at Edmonton a few years ago. *Per contra* the Canadians are not solely to blame for the closed door. If they have been a little over-zealous in this immigration business, the Imperial authorities have been in a still greater degree the opposite. Downing Street exhibits, and has exhibited for years past, the sorry spectacle of a Colonial Office which does no colonising, and has no colonising policy. It is for this particular purpose a moribund institution.

CHAPTER XIV.

DOMINION LANDS.

"DOMINION lands" are so called to distinguish them from the public lands owned by the original Provinces in the Confederation of 1867. These have as a rule remained in the possession of the respective Provinces, the greater part of them being in Quebec, Ontario, and British Columbia. Practically all of the land from the head of the lakes to the Rocky Mountains, excepting what was reserved for the Hudson's Bay Company, passed to the Dominion Government. Its total cost to the Canadians was the £300,000 which they paid to the Hudson's Bay Company for the surrender of its charter rights. Few better bargains are recorded in history. Already three huge Provinces have been carved out of it with an aggregate area of nearly 340 million acres, namely:—

	Acres.
Manitoba	40,848,880
Saskatchewan	143,927,680
Alberta	150,117,760
	334,894,320

As yet less than one-half of that immense area has been surveyed. The latest official figures given in the Annual Report of the Minister of the Interior come down to the 31st March 1910. According to them 145,249,985 acres had been surveyed up to that date, out of which six and a half million acres had been set aside as reserves of various kinds :—

	Acres.
Forest reserves	2,880,800
Indian reserves	2,480,788
Do. sold	482,338
Parish reserves	620,647
	6,464,573

Deducting the reserves from the total surveys, there remained available for settlement 138,785,412 acres. Of this more than two-thirds has already been disposed of. In the official report it is thus accounted for :—

	Acres.
Homesteads, pre-emptions, &c.	44,022,700
Grants to railway companies	31,864,074
School lands	7,948,500
Hudson's Bay Company	6,565,000
Swamp lands, half-breed scrip, military scrip, and other claims.	11,490,100
Total . .	101,890,374

The three striking features in the above exhibit are—first, the rapidity with which the surveys have been pushed ahead; second, the round-

about methods of settlement that have been adopted; and third, the very large proportion of the land that has passed into intermediate hands. Middlemen, in various guises, are very much in evidence. Only 44 million acres out of the 101 millions surveyed has gone direct to settlers. Fully 46 million acres have been intercepted by railway companies, land companies, and school authorities. But small as the share of the *bona fide* settler has been, it is evidently a good deal more than he is yet able to handle. On the 31st March 1910 there was less than 12 million acres (11,960,000) under grain crops. More than half of it was under wheat (6,878,000 acres), the roughest and most primitive form of agriculture.

Nowadays the Mother Country gets a fair share of candid criticism from the Canadians, but if she felt disposed she might turn the tables on them occasionally. In the present case she might ask them what they had done with the two thousand million acres of land with which the Confederation had been endowed at its birth. The practical results of their forty-three years' administration of that magnificent heritage are not in every respect flattering to them. Would they elect to be judged by the number of people they have settled on the land in these forty-three years, or by the amount of public revenue they have derived from it, or by the magnitude of the political fortunes that have been made out of it, or by the quantity of produce they have raised on it? In no case would they show a

very wonderful achievement, and the largest part of it has come with a rush in the past few years. Even the rush was due mainly to external causes.

For the census year 1901 we have full details of land settlement as it then existed in the Dominion. That was the turning-point in the progress of the country. The land boom, now in course of development, was then in its third year, having commenced in 1899. Previous to 1901 there had been a whole generation of ordinary normal growth which can be measured by the census returns. Comparing 1901 with 1871, the number of occupiers of land had increased in the thirty years by less than 50 per cent. It was 367,862 at the commencement of the three decades, and 544,688 at the end of them—increase, 176,826, or at the rate of 5871 per annum.

Thus in the first generation of its existence the Dominion moved very slowly indeed. It did little more than mark time. In the last of the three decades it did not even do that. Between 1891 and 1901 there was a sharp decline in the number of land holdings. They fell from 620,486 to 544,688—a loss of 75,798, or 12 per cent. The first two years of the boom barely restored the total number of land holdings to what they had been ten years before—namely, at the census of 1891. The decrease in 1891-1901 had another bad feature—it occurred entirely among the small holders. The 10 acre men were reduced by more than one half—from 191,612 to 91,186.

The 11 to 50 acre men diminished from 87,879 to 81,243. The 51 to 100 acre people just held their ground, the variation in them having been only from 157,748 to 156,778. But the holdings over 100 acres showed a moderate increase. Those of 101 to 200 acres rose from 130,271 to 150,826, and those of over 200 acres from 52,976 to 64,665.

Such was the position of Canadian landholders in 1901—at the opening of "Canada's century." The first half of the preceding decade had been ruinous to farmers and especially to wheat growers. The small men had been squeezed out and larger men had taken their place. The average size of the holdings consequently showed a considerable increase. The total area occupied in 1891 had been 60,287,730 acres, which for 620,486 holders gave an average of 97 acres. In 1901 the total area occupied had risen to 63,334,815 acres, an average of 116 acres for the then existing 544,688 holdings.

Of the 63 million acres under occupation in 1901 little more than one-fifth was situated west of Lake Superior. Manitoba claimed 8,842,000 acres, British Columbia nearly a million and a half, and "The Territories"—since organised into the two provinces of Alberta and Saskatchewan—2,910,000 acres. So far that was all that had been done with the three million square miles of territory—nearly two thousand million acres—which had been presented to the Confederation

in 1867 as a christening gift. Of that vast area only 13¼ million acres were actually settled! Many millions more had, of course, been taken possession of by the railways and the political land syndicates. The speculator had got well ahead of the settler and was waiting for him. He was not to have to wait much longer.

Hitherto the railway builder and the speculator have made most out of the magnificent heritage which Canada got possession of in 1867. The railway builders had the first innings, and their good time lasted from the birth of the Canadian Pacific Railway Company in 1881 down to the advent of the Laurier Government in 1896. The Canadian Pacific led off with a land grant of twenty-five million acres, and its successors secured among them another thirty million acres. This was the land policy of the Conservatives—"Give away land, timber, minerals, and everything else to whoever will open them up." It was the popular policy of the moment, and though it is now looked back upon with patriotic remorse as well as financial envy, the people themselves were all for it at the time.

In 1896 the Liberals introduced a new land policy. Its watchword was—"Not an acre more for railways—all for settlers." But "settlers" is an elastic term, especially when the definition of it is left to a Minister with hosts of political friends and clients. It does not necessarily exclude a good Liberal worker with electioneering

gifts and strong claims on his party. Still less does it bar a member of parliament with a good record for loyal voting and active electioneering. Hence it happened that while quarter sections were thrown open under severe restrictions to the poor homesteader, large blocks fell into the hands of the clever politicians without any restrictions at all. It was "easy terms" all round for them: pay their own price at their own convenience. Generally they were not called upon to pay until they had arranged a sale to some British or American syndicate at 500 per cent profit or more.

It is doubtful how far "a Britisher" may venture to comment on these two land policies. The Canadians, forgetting who gave them the land originally and who furnished the money for opening it up, are growing touchy on the subject. They criticise each other very freely in connection with land grabs and land grants, but all parties would combine to resent outside criticism. It is wiser, therefore, for the outsider to have no opinion of his own, but to select what suits him from the infinitely diverse and discordant views of the Canadians themselves. A terse and forcible summing-up of the Conservative land policy can always be got from the latest Liberal orator, while Conservative orators are equally ready to oblige with regard to the Liberal land policy.

The campaign literature of the 1908 elections

bristled with charges and counter-charges against administrators of the Land Department past and present. If they could all be taken seriously they would mean that millions of acres had been given away recklessly, and that millions more were locked up, to the great loss of the public. A Liberal pamphleteer, contrasting the effects of the two opposite policies, said—

> In eighteen years the Conservative Government voted 56,000,000 acres of land to railway companies, or enough to supply 411,000 homesteads of 160 acres each, or sufficient to support a population of two millions. In twelve years since coming into power the Liberal Government have not given one acre of land to a railway. The land has been reserved for the settler, who got 35,000,000 acres in homesteads.

The last sentence is hyperbolic, the 35,000,000 acres not having been actually given to the homesteaders but only thrown open to them to select from. How much they may get of it is a question still undecided. It is noticeable that in the 'Dominion Year Book' very meagre information is given as to the public lands. A single quarter-page table in a book of over five hundred pages is all that can be spared for it. And even that contains only the receipts for patents and homestead entries. But they are instructive in their way. Among other surprising things they show what a meagre income the Dominion Government derives from its vast landed estate. It seldom exceeds two million dollars per annum, and

sometimes falls well below a million and a half dollars. For the seven years ended with 1909 the successive totals were—

DOMINION LAND REVENUES.

1903	$1,869,367
1904	1,645,103
1905	1,313,595
1906	1,675,897
1907 [1]	1,455,386
1908	2,094,579
1909	2,277,678
	$12,331,605
Average for 7 years	$1,761,658

That revenue, trifling as it is in amount compared with the grand scale of Dominion finance generally, has to be gathered from many different sources. It is a miscellaneous combination of homestead fees, land sales, timber dues, mining permits, and other receipts. Oddly enough, the land sales were until recent years quite a subordinate item. They were overshadowed by the homestead fees and the timber dues. In 1905 they amounted to only $154,000, but since then they have been growing, and in 1909 they approached a million dollars. Even this, however, is insignificant compared with the corresponding revenue of the United States. The latter runs up in boom years to nine or ten million dollars.

[1] Nine months.

In 1903 it was $8,926,000, in 1904 $7,453,000, and in 1905 $4,859,000.

While in Canada nearly all the public land is either homesteaded, pre-empted by homesteaders, or given away, in the United States the largest proportion of it is openly sold for cash. In 1905 there were 16,979,000 acres sold as compared with 12,895,000 acres homesteaded. In 1904 the respective aggregates were 16,258,000 and 10,171,000 acres. In 1903 they were 22,650,000 and 11,193,000 acres. The big land sales in Canada are not made by the Government, but by the railway companies and the other fortunate possessors of extensive land grants. The following is the official record of them for the year ended 31st March 1910:—

LAND SALES IN THE NORTH-WEST, 1909-10.

	Acres.	
Hudson's Bay Company . .	104,382	$1,297,454
Canadian Pacific Railway . .	655,585	10,473,425
Manitoba and South-Western .	14,501	126,950
Q'Appelle, Long Lake, and Saskatchewan . .	106,000	964,600
Calgary and Edmonton . .	18,323	182,926
Canadian Northern . . .	285,428	2,783,010
Great North-West Central . .	571	6,863
	1,184,790	$15,835,228

These sales, it will be seen, averaged fully 13 dollars per acre. While the privileged grantees were getting that handsome average, the Govern-

ment was parting with five or six million acres a-year to homesteaders at the rate of $10 for a quarter section of 160 acres. The land is nominally free, but an entry fee of $10 is charged to cover cost of surveying and administration. Homesteading is attended, however, with so many risks and restrictions that sellers with capital—Americans in particular—rather pay $13 an acre for private land. But whatever their choice may be, the result to the Dominion Treasury is always microscopic. Never in the history of colonisation was public land given away so lavishly as it has been by the Dominion Government, or have the public got so little for it. Subjoined are the totals of the homestead fees and cash sales for the past seven years.

HOMESTEAD FEES AND CASH SALES, 1903-1909.

	Homestead Fees.	Cash Sales.
1903	$320,410	$155,508
1904	255,772	196,750
1905	304,806	154,128
1906	417,834	442,589
1907[1] . . .	215,450	494,117
1908	306,694	655,303
1909	389,639	951,442

It will be observed that the amounts received for homestead fees fluctuate widely from year to year. That is owing to the variations in

[1] Nine months.

the number of homestead entries. These were given as under for each of the seven years :—

HOMESTEAD ENTRIES AND FEES, 1903-1909.

	Entries.	Fees.
1903	31,383	$320,410
1904	26,073	255,772
1905	30,819	304,806
1906	41,869	417,834
1907	21,647	215,450
1908	30,424	306,694
1909	39,081	389,639
	221,296	$2,210,605
Seven years' average .	31,614	$315,801

At the rate of 160 acres each the above 221,296 entries would represent 35,407,360 acres—five million acres more than the whole of the land under actual cultivation in the Dominion. From this it may be judged how slowly effective settlement follows the homesteading. On the other hand, it may be replied that the homesteads at their worst develop a new country faster than the big land grants can possibly do. It is a notable coincidence that the big land grants are almost identical in their total area with the above 221,296 homestead entries. The Hudson Bay Company's 6,565,000 acres, combined with the 31,864,000 acres of the railway companies, make 38,429,000 acres—fully three million acres

more than was homesteaded by 221,296 people in seven years.

Already attention has been directed to the significant fact that the total area homesteaded and pre-empted in the three Prairie Provinces down to the 31st March 1910 was only 44 million acres. Fully three-fourths of it must, therefore, have been taken up in the last seven years. It was not until 1902 that homesteading became a really important factor in the settlement of the North-West. In that year the entries for the first time exceeded twenty thousand, the actual total having been 22,215. In 1901 it was only 9,108, and as recently as 1896 it was under two thousand (1857). In the 'seventies it averaged only a few hundreds per annum. Two causes—the Canadian Pacific Railway dating from 1885 and the great rise in wheat which began in 1896—attracted the homesteader to the North-West and started the opening up of the country. Neither of these causes was primarily Canadian.

The homesteader in his turn prepared the way for the land agent and the land speculator. What a godsend he was to them may be traced in the rapid rise of the private land sales after his advent. The following are the annual sales of the Hudson's Bay Company as recorded in the Annual Report of the Minister of the Interior for 1910:—

HUDSON BAY COMPANY'S LAND SALES, 1894-1910.

	Acres.	
1894	7,526	$48,225
1901	82,308	399,804
1902	269,577	1,412,332
1903	330,046	1,939,804
1905	139,721	865,905
1906	236,191	1,863,375
1908	21,181	267,215
1909	25,449	288,836
1910	104,832	1,297,454
(Total 1894-1910	1,643,984	$11,071,233)

A still better illustration of the exuberance of the land boom is furnished by the sales of the Canadian Pacific Railway Company during the same period:—

CANADIAN PACIFIC RAILWAY'S LAND SALES, 1894-1910.

	Acres.	
1894	43,155	$131,628
1901	339,985	1,046,665
1902	1,362,478	4,440,500
1903	2,260,722	8,472,250
1905	411,451	2,045,800
1906	1,012,322	6,015,060
1908	81,060	727,367
1909	29,331	383,390
1910	655,585	10,473,425
(Total 1894-1910	9,138,646	$45,919,759)

So far it is the Canadian Pacific Railway and the Hudson's Bay Company that have got the

cream of all the land booms in the North-West. The Canadian Pacific Company's original grant of twenty-five million acres has proved to be the most valuable subsidy ever made to a railway. But no Canadian grudges it, or has any reason to do so. History proves that an ample return was made for it. But no one can fail to be struck by the contrast between a single holding of twenty-five million acres (afterwards reduced to nineteen millions) and the 221,000 holdings which altogether amount to only thirty-five million acres. The ducal landlords of the old country are mere crofters beside the owners of even a third-rate land grant in Manitoba or Saskatchewan.

"The land for the people" is nowadays the motto of all democratic Governments, and it is loudly proclaimed all over Canada. But in no country, not even in landlord-ridden England, are there so many intermediaries between the State and the settler as in the Canadian North-West. Putting the people on the land is consequently a much slower process than is commonly supposed. That the hundreds of thousands of people who rush over to Canada every year are going on the land is a fond delusion. A very small proportion of them have that good fortune. The highest percentage of homesteaders to immigrants occurred in 1907, when it was one-fifth; but in other years it has

fallen as low as one-twelfth. For the past seven years the percentages have been as follows:—

IMMIGRANTS AND HOMESTEADERS COMPARED, 1903-1910.

	Immigrants.	Homesteaders.	Percentage.
1903 . .	128,364	31,383	24.5
1904 . .	133,330	26,073	20.0
1905 . .	146,266	30,819	21.0
1906 . .	189,064	41,869	22.1
1907[1] . .	252,038	21,647	8.6
1908 . .	204,071	30,424	15.0
1909 . .	152,071	39,081	25.7
	1,205,204	221,296	18.3

In these seven years less than one-fifth of the immigrants into Canada got on to the land as owners. Many more may have got on to it as labourers, but even these would not be a very large proportion. The Scandinavian, Russian, and Galician recruits go out for their dollar and a half or two dollars per day rather than for homesteads. Their summers they spend in railway or mining camps, and their winters in the nearest cities. The Americans are the only immigrants of whom a large proportion go on the land, and, as a rule, they buy their holdings from American companies, who purchase large blocks and cut them up into farms. It is they who are doing most for the settlement of the North-West. They are working at it more vigorously and systematically than the Canadians

[1] Nine months.

themselves. Their numbers are a pretty good index to the land sales, and it means much that they should now be averaging over seventy thousand a-year.

There are various other curious points in the working of the Canadian land system. Thus the total area of land occupied in the census year 1901 exceeded only by a few million acres the total amount of the land grants which had been made to railways. The respective aggregates were—

	Acres.
Land occupied	63,334,815
Grants to railways . . .	56,000,000

Taking the North-West by itself, its land grants to railways were more than treble the acreage in occupation—

	Acres.
Total area occupied . . .	16,907,610
Grants to railways . . .	56,000,000

Not one-third of the land occupied in all Canada was in regular cultivation, and of that only two-thirds was under field crops. The several areas were—

	Acres.
Land occupied	63,334,815
Under cultivation . . .	19,683,278
Field crops.	12,930,493
Hay and forage	6,752,785
	19,683,278

It is clear from these figures that immense areas of land in the North-West must be held speculatively. The homesteader has now to go very far north for a quarter section worth taking up. According to the Dominion Government's own expert, only 171 million acres of the whole 2000 million acres west of Lake Superior are fit for cultivation. A few years ago, Dr Saunders, the Director of the Dominion Experimental Farm at Ottawa, made a special inspection of the north-western farming areas, and that was the conclusion he came to. His calculations for the several provinces and territories were—

	Total Area. Acres.	Fit for Cultivation. Acres.
Manitoba . .	41,000,000	27,000,000
Saskatchewan .	70,000,000	52,000,000
Alberta . .	64,000,000	42,000,000
Assiniboia . .	57,000,000	50,000,000
	232,000,000	171,000,000

According to the latest accounts, 30,000,000 acres are now in the hands of *bona fide* settlers, which would represent an increase of about 13,000,000 acres in the past seven years. There will be at least another 30,000,000 acres locked up by the railways and the land companies.

CHAPTER XV.

PRAIRIE FARMING.

THE most prosperous countries of the present day are the food producers, the next most prosperous are the producers of raw materials, and the least prosperous are the industrial countries. This is a complete reversal of the order of things that prevailed down to a quarter of a century ago. For a century before that the industrial countries had held the lead in prosperity; the producers of raw materials had come second, and the food producers last. There was then so much virgin land being brought under cultivation that food supplies ran ahead of the consumption. On the other hand, there were so many new markets being opened up for manufactured goods that demand ran ahead of the supply.

In the past quarter of a century both the food conditions and the industrial conditions have undergone a great change. The steadily increasing demand for food and the concurrent improvement in means of transportation have

extended the food-growing areas farther and farther out, until now their physical limits are almost in sight. Meanwhile industrial operations have become more and more concentrated; their machinery has grown more and more effective; the output of organised labour has risen to a higher average per man; the markets of the world are flooded with manufactures, and competition grows proportionately more intense. The tables have been emphatically turned against the manufacturer and in favour of the food producer.

For the moment the agricultural star is in the ascendant, but it must not be imagined that this is the end of the great economic evolution. Far from being finally solved, it may have still many more vicissitudes to pass through. Over-production of food may seem a very unlikely thing ever to occur again, but probably it will. Nature has so many different means of adjusting the balance between the demand and the supply of all human necessaries, that the tables may yet be turned again. The food-growing countries are wise, therefore, to make hay while the sun shines on them. Many potent forces are already at work trying to redress the balance. Science, commerce, finance, thrift, and even starvation, are all co-operating against dear food.

Meanwhile Canada finds herself on the top of the agricultural wave. She is making more money out of the dear loaf than any other country, save, perhaps, Argentina. Wheat at a dollar a

bushel, or even 90 cents, is giving a tremendous impetus to all the special industries of the prairie, not only to wheat-raising, but to land speculation, railway building, and local trade. It is, indeed, golden grain for any man who can raise 20 or 25 bushels of it per acre on land which has cost him only half as many dollars. Though wheat-growing is the poorest kind of farming, and good farmers look down upon those who do that and nothing else, it is, under existing conditions, the most profitable.

In a new country like the North-West — six thousand miles or more from the chief markets of the world—cereals have great advantages over all other crops. Roots could not stand the long journey, and if they could, the cost of it would swamp them. Only fruit and cereals can bear the expense of a six-thousand-mile journey, and of the cereals wheat is most marketable. It contains the largest amount of nutritious food in a given space and weight; consequently it is the most transportable. It is one of the hardiest grains and the best travellers. It commands the largest market of any, being consumed by all civilised and many semi-civilised peoples. All Europe and America are wheat-eating countries. So are Australia and South Africa, while China and Japan are gradually changing from rice to wheat.

Notwithstanding all these merits and advantages, wheat is not by any means the best

staple food for mankind generally. We have many better foods which might be grown at home, if we took the trouble to do it. Hitherto they would not have paid the growers, because foreign and colonial wheat, raised, transported, and marketed at the lowest possible rates, undersold them. But if the British farmer had any assurance that wheat and other cereals would hold their recent prices for the next ten years, thousands of acres of grass land would be brought back into cultivation. It is an immensely interesting problem altogether—a problem of world-wide importance, the influence of which reaches from the Antipodes to the verge of Hudson's Bay.

The first thing to note about prairie farming is that, in the North-West generally, American as well as Canadian, it means wheat-growing. Its next peculiarity of importance is that it is continually gravitating northwards. The so-called "wheat belt" started much farther south than it is now. The first settlers in Illinois, Iowa, and Kansas grew wheat for the same reason that causes it to be grown to-day in Alberta and Saskatchewan. It was the easiest crop to raise and the best to market. But it wore out the soil, and, as population increased, mixed farming became more profitable. Wheat-growing was gradually curtailed in the older States and driven northward into the younger ones, where there was still plenty of cheap land.

So it shifted farther and farther north,—from Missouri into Iowa, from Iowa into Minnesota, and from Minnesota into Manitoba. Now it is advancing from Manitoba into Saskatchewan and Alberta.

At best, it is rough, primitive farming, but while the soil continues good, it pays well on "dollar wheat," that is, wheat at a dollar a bushel. The North-Western pioneer has not, however, made most of his money out of wheat-raising or any other kind of farming. It is the consequent boom in land, in city property, and in local securities that has enriched him, frequently beyond his wildest dreams. The actual value of all the grain that has been shipped from the North-West in the past decade is a mere flea-bite compared with the speculative values which have been built up on it. The *bona fide* agricultural achievements of the three "prairie provinces," when calmly measured up, are not so very remarkable after all. If we were to accept literally the official bulletins in which their progress is recorded during the crop season, we might imagine that, by this time, the annual totals had reached tremendous figures. In reality, they are not so very phenomenal, and they have a characteristic habit of shrinking considerably after harvest.

As a corrective to the "boom bulletins" so plentifully cabled over while the crops are growing, the final report issued after harvest should be

carefully studied. It generally discounts the over-sanguine estimates and anticipations of the prairie optimists. Unfortunately, it does not come out in time to be of much use. It is made up to the end of September and issued about the middle of October, when speculative interest in crops and prices has fallen to a minimum. The final report for 1908 opened with a summary of the various grain yields, namely—wheat, 115,651,000 bushels; oats, 267,651,000 bushels; and barley, 50,723,000 bushels. These figures were for the whole of Canada and not the prairie provinces alone. Their aggregate was 20 millions less than the most moderate forecast of the boomers. In explanation of this shortage the report said—

> The yield of wheat as estimated from the appearance of the crops at the end of August is not confirmed by present threshing results, for the total production of Canada as now estimated is 3½ bushels per acre less, representing a total diminution of 9,039,000 bushels. The drop is almost entirely due to the returns from Saskatchewan and Manitoba, where adverse seasonal influences appear to have had greater effects upon the yield than were indicated by the condition of the crops at the end of August. In Manitoba, Saskatchewan, and Alberta the estimated total production of wheat is 95,818,000 bushels, of oats 105,481,000 bushels, and of barley 26,362,000 bushels.

The disappointments of 1908 were fully atoned for by the bumper crops of the following year. But these again were succeeded in 1910 by a still

greater disappointment. The final bulletin for the season (September 30) says that—

> The reports on the condition of the crops in Canada at the end of September show lower averages for the whole country than those of a year ago, but the reduction applies chiefly to the North-West Provinces. In the Eastern Provinces a high percentage is maintained for nearly all the crops, and quantity and quality are nearly as good as a year ago. In Manitoba, Saskatchewan, and Alberta there is a drop of about twenty per cent in the quality of grains and roots.

The special object of these quotations from the official crop bulletins is to impress on the reader the important but apparently little known fact that prairie farming has its own peculiar risks and vicissitudes. Its results may on the average be greater than are obtainable in older settled countries, but *per contra* they are more fluctuating and precarious. Even in the Prairie Provinces themselves there are wide diversities both in the quantity and quality of the grains raised. The final results reported for 1910 were—

	Bushels per Acre.	Quality percentage.
Manitoba	13.65	68.52
Saskatchewan . . .	16.73	72.10
Alberta	12.59	66.26

In 1908 the corresponding averages were—

	Bushels per Acre.	Quality percentage.
Manitoba	17.5	81
Saskatchewan . . .	15.0	61
Alberta	30.0	77

A year or two ago we heard a great deal about Alberta winter wheat and its phenomenal yields on irrigated lands. It made a good average per acre, no doubt, but it was less satisfactory in quality. Even if it had turned out better it would not have been a very important factor in the North-Western crop, as its total yield was only 8,130,000 bushels—less than a fourth of Saskatchewan's 35,940,000 bushels, and little more than a seventh of Manitoba's 51,748,000 bushels. The Eastern Provinces, which we seldom hear of, generally get better averages per acre than the much-boomed "Prairie Provinces." Their wheat averages in 1908 were—

	Bushels per Acre.	Quality percentage.
Ontario	21	75
Quebec	14	69
Nova Scotia . . .	20	78
New Brunswick . . .	16	72
All Canada . . .	17.5	75

The Maritime Provinces and Quebec have practically retired from the wheat business. Relatively to their population they raise almost as little of it as we do in England. But Ontario has by no means given up the fight. In spite of the phenomenal progress of the North-West it continues to be the third largest wheat grower in the Dominion. With the opening up of the great clay belt in Northern Ontario, which is said to be

good wheat country, it may continue to hold that position. Among the Prairie Provinces Saskatchewan has now obtained a decided lead. The fight which Manitoba so long maintained for first place is over, and the senior Province has settled down as a good second. Their respective crops of wheat in 1910 were thus officially estimated:—

NORTH-WESTERN WHEAT CROPS, 1910.

	Bushels.
Saskatchewan	66,425,000
Manitoba	27,001,000
Alberta	6,464,000
Ontario	19,405,000
Other Provinces	3,490,000
All Canada	122,785,000

The past three years furnish striking examples of the uncertain and erratic character of prairie farming. Their wheat crops showed these remarkable variations:—

NORTH-WESTERN WHEAT CROPS, 1908-1910.

	Bushels.
1908	112,434,000
1909	166,744,000
1910	122,785,000
	401,963,000
Average of the three years	133,987,000

Every Province experiences these violent upward and downward swings. Saskatchewan rose

in 1909 from 34,742,000 bushels to 85,197,000, and fell again in 1910 to 66,425,000. Manitoba, after moving up in 1909 from 50,769,000 to 52,706,000 bushels, fell back last year (1910) to 27,000,000, which was exactly half a crop. Alberta had quite a rhythmical movement first up from 6,842,000 to 9,579,000 bushels and then back again to 6,464,000 bushels. Ontario is a steady-going wheat producer compared with the Prairie Provinces. Its yields did not vary more than 3,000,000 bushels in the three years. Their respective totals were—1908, 18,057,000 bushels; 1909, 16,262,000; and 1910, 19,405,000. In barley and oats even wider fluctuations distinguish the Prairie Provinces. Manitoba, for example, harvested 17,093,000 bushels in 1908, 20,866,000 in 1909, and only 7,687,000 in 1910.

After the experiences of the past few years the vagaries of the North-Western climate can no longer be denied. The local press begins reluctantly to admit them. The 'Toronto Globe' of the 25th May 1910, in commenting on the crop failure of that year, gave a very interesting summary of the climatic and other dangers for which the prairie farmer must always be on the look-out.

It is necessary [said the writer] to figure on about four months of risks in considering the prospects of the wheat crop which has first place in the commercial scheme of the West. In some sections it may pass the danger point in less than 120 days, but it is not safe to base any general calculations on such a possibility.

The risks are varied and erratic, and no community can regard itself as immune from any of them. Drought, floods, hot winds, hail, and weeds are the principal enemies of the growing grain, and if any particular crop can shake itself loose from all of these it deserves to win out. It is not to be supposed that this whole collection of destructive factors ever afflicts any part of the country at the same time. Some one of them, however, is almost certain to work a greater or less amount of havoc in some part of the West every year. The season of 1909 was the most favourable in a general way that was ever known, but it brought with it reports of loss from each of these factors. The aggregate damage was light in comparison with the total production, but the loss to some individuals was serious enough.

The range of fluctuation between a good and a bad crop is, according to these candid local critics, much larger on the prairies than in the Eastern Provinces, and still larger than it is in Europe. It is further significant that the crops in the Prairie Provinces do not increase in proportion to the new land cultivated. Last year's wheat crop (1910) was very little larger than that of 1908; while the barley and the oat crops were barely half as large. Consequently, the surplus available for export does not keep pace with the area of cultivation, while it lags far behind the land sales and the homestead entries. Why these anomalies and contradictions?

One great merit of Canadian farming is the

moderate size of the holdings. For the whole Dominion they averaged in 1901 only 116 acres, and since then the influx of homesteaders may have reduced it still farther. The average quantities of the various cereals raised corresponds with the smallness of the farms. The data collected at the census of 1901 showed that the average crop of wheat per farm was for all Canada 117¾ bushels. The only large production was in Manitoba, where it ran up to close on 577 bushels per farm. From that top level the average dropped to 233¾ bushels per farm in the two other prairie provinces — Alberta and Saskatchewan. In Ontario it declined farther, to 153¼ bushels per farm. British Columbia and Prince Edward Island were close together, with 60½ and 56 bushels per farm respectively. Quebec cut a poor figure in wheat, with a crop of only 15 bushels per farm for 1901. New Brunswick and Nova Scotia are hardly to be reckoned as wheat-growing countries — the first having averaged less than 11 bushels of wheat per farm, while the second worked out at 5¼ bushels.

There are thus whole provinces in Canada where wheat-growing is as decadent as it is in England. Oats are becoming the favourite crop of the North-West and of other provinces as well. For the whole of Canada they showed an average of 321 bushels per farm. Strange to say, the highest average mentioned in the

'Canada Year Book' is not in the "prairie provinces," but in Ontario—namely, 475 bushels per farm. The next largest are 346½ bushels in Prince Edward Island, 333 bushels in Manitoba, 265 bushels in Saskatchewan and Alberta, 257½ bushels in Quebec, 243 bushels in British Columbia, 137¼ bushels in New Brunswick, and 119½ bushels in Nova Scotia. In barley Ontario again leads, and Manitoba comes second. The former averaged nearly 87 bushels per farm, and the latter 84 bushels, as compared with an average for the whole Dominion of 47 bushels per farm.

These figures are official throughout, and their principal interest lies in the evidence they give that large as the cereal crops of Canada are supposed to be, most of the cultivation is done on a comparatively small scale. In the Eastern Provinces especially it is very much subdivided. In the North-West it is, of course, larger; and in the two youngest provinces big farms are often to be met with. Wheat-growing is a business which admits of almost unlimited expansion if a man has the necessary capital and power of organisation. In the North-West capital and skill are accumulating, and they have at their command the finest agricultural appliances that can be bought. Land hunger and high prices for wheat are two powerful factors in the creation of large farms.

The Canadian North-West will soon cease to be a poor man's country. Brain and muscle are no longer the only requisites of success in that remote Arcadia. Capital is also needed, and a good deal of it. The successful settlers are evidently not anxious to have poor men as homesteaders and pre-emptors. They prefer to have them as labourers. New-comers are told that it is only big farms that pay nowadays. Mr S. Barnsley, one of the farmer delegates sent over by the Dominion Government to the old country to recruit "desirable emigrants," was quite explicit on this point. He told an interviewer that "in order to farm successfully in Western Canada, it is essential to have 320 acres of land. A homestead of 160 acres may afford a living, but it is not enough to continue farming."

This caution seemed to Mr Barnsley so important that he returned to it later on, and added, "It is absolutely necessary to have the larger quantity of land." But he did not explain how an English agricultural labourer, or even a small farmer, is to raise money enough to buy 320 acres and the necessary outfit for cultivating it. Of course the Dominion Lands Act of 1908, which threw open about thirty million acres of land for pre-emption by homesteaders at three dollars an acre, will be a considerable help to the poor man while there is any good land left within reach of a railway. But the

eyes have been picked out already, and in any case the new-comer has to homestead before he can pre-empt. According to Mr Barnsley, there is no longer any land available for homesteads within thirty-five miles of a railway. The new lines being built open up fresh areas, but crowds of homesteaders follow in their wake, and an Englishman has to be smarter than usual to get in ahead of them.

Land jobbing has become as great a business as farming in the North-West. Smart men, of all colours and races, are engaged in it. Farmers with a little money to spare, or with a credit at the local bank, take naturally to trading in the odd bits of land which, from various causes, may come into the market. They may be an abandoned homestead, or an improved farm, or a town lot. Whatever they are they can often be got cheap enough to be worth holding for a rise. Every town and hamlet has its professional land agents, who trade, speculate, sell or buy on commission, and hustle generally. Many of them have land companies or mortgage companies at their back, which undertake to "fix up" a settler with everything he can possibly need.

In the big towns the same operations are conducted on a much larger scale. Syndicates of professional land boomers in Chicago, St Paul, and other American cities keep agents continually on the hunt for "something to develop." What-

ever suits them they will either buy outright or get an option upon. And having bought it they will be equally keen about getting it sold. They not only provide land, but they will finance the purchaser, do all his building and his rough work for him, and finish him off with a wife and a motor car. Prairie farming has its romantic as well as its prosaic side. In hard winters it has also its tragic side.

CHAPTER XVI.

CANADA'S MINERAL RESOURCES.

"TRAVELLING from east to west, there are coal, iron, and gold in paying quantities in Nova Scotia; coal and petroleum in New Brunswick; silver, copper, asbestos, gold, and galena in Ontario; lignite and gold in Manitoba; coal and natural gas in Saskatchewan; coal in Alberta; and nearly every variety of marketable minerals in British Columbia."

Such is the summary of Canada's mineral resources given in an official handbook. It is concise and, I believe, literally correct. If anything, it is understated both as regards the variety of known minerals and the number of different deposits. In the few years since it was published several important mining developments have taken place.

Canadian minerals are, indeed, exceptionally varied, and also widely distributed. There are forty different kinds enumerated in the official statistics, and the more important of them occur again and again right across the breadth of the

Dominion. In volume and value they also vary greatly. Hitherto coal has held a long lead, but as the Cobalt mines develop, silver is rapidly overtaking it. In the year 1909 the quantity of coal raised was 10½ million tons, valued at 24½ million dollars. Silver came second, with an output of nearly 28 million ounces (27,878,590), and an aggregate value of $14,358,000. Gold had third place, with 476,000 ounces, valued at $9,790,000. Nickel was fourth, with 26,282,991 lb., worth $9,461,877. Copper has fallen from second place to fifth, its output having dropped to 54,061,000 lb., while the value declined to $7,018,000.

These five items — coal, the precious metals, nickel, and copper — make up more than three-fifths of the total value of Canada's mineral production. In 1909 their aggregate value was $65,059,751 in a grand total of $90,378,429. In 1908 they formed a still larger proportion of the whole — namely, $63,368,331 out of $85,927,802. With the exception of coal, which still maintains a long lead of all the others, their relative positions are always varying. The rising metal is, of course, silver, which advances by leaps and bounds. In 1909 it gained nearly six million ounces in quantity and 2¾ million dollars in value. Gold seems to be turning in the opposite direction, and the annual returns invariably report decreases. As a gold producer, Canada is evidently on the wane. Her best deposits appear to be "petering" out, especially in the Yukon. The

total yield of 1907 fell more than three million dollars under that of the preceding year, and further decreases were reported in the two succeeding years (1908 and 1909).

Nickel is very progressive as to output, though not as to value. In 1909 its output increased 50 per cent over that of 1908—26,282,991 lb. against 19,143,111 — but the improvement in value was barely 15 per cent. It only advanced from $8,231,538 to $9,461,877. But even that was favourable compared with the experience of the copper producers. They lost heavily both in output and in financial yield. The former fell from 63,702,000 lb. to 54,061,000 lb., and the latter from $8,413,876 to $7,018,213.

In order to gauge the relative importance of Canada's mineral resources, two standards may be applied to them—first, comparison with the agricultural and industrial products of the Dominion; and second, comparison with the corresponding mineral products of the United States. As a preliminary step to the application of these tests, we present below a classification of Canada's staple minerals:—

PRIMARY GROUP OF CANADA'S MINERAL PRODUCTS, 1909.

Coal	$24,431,351
Silver	14,358,310
Gold	9,790,000
Nickel	9,461,877
Copper	7,018,213
	$65,059,751

Four other products may be classed as a secondary group, thus :—

Portland cement . . .	$5,266,008
Asbestos	2,284,587
Pig-iron from Canadian ore .	2,222,215
Lead	1,959,488
Petroleum	559,604
	$12,291,902
Total of primary and secondary groups	$77,351,653
All other minerals . . .	13,026,776
Grand total, 1909 . .	$90,378,429

The two following tables exhibit in detail Canada's agricultural and industrial products. The former is from the official returns for 1909, a record year for Canadian crops generally, and for the North-West particularly so. The latter is taken from the latest industrial census, that of 1906. The totals of the three groups, when placed alongside of each other, show at a glance their relative importance :—

AGGREGATE VALUES OF CANADA'S STAPLE PRODUCTS.

Agricultural (1909) . . .	$718,352,603
Industrial (1906) . . .	532,991,200
Mineral (1909)	90,378,429
	$1,341,722,232

VALUE OF CANADA'S INDUSTRIAL PRODUCTS, 1909.

Food	$173,359,431
Textiles	85,982,979
Iron and steel	53,125,265
Timber and lumber	112,494,072
Leather	42,132,007
Paper and printing	33,738,772
Liquors	14,394,319
Chemicals	15,703,306
Clay, glass, and stone	13,986,000
Metals other than steel	50,828,968
Tobacco	15,274,923
Vehicles (land)	37,396,302
Vessels (water)	1,943,195
Miscellaneous	66,294,869
Hand trades	1,698,195
	$718,352,603

VALUE OF CANADA'S FIELD CROPS, 1909.

Wheat	$141,320,000
Oats	122,390,000
Barley	25,434,000
Rye	1,254,000
Peas	7,222,000
Buckwheat	4,554,000
Mixed grains	10,916,000
Flax	2,761,000
Beans	1,881,000
Corn	27,875,000
Potatoes	36,399,000
Turnips	18,197,500
Hay	132,287,700
Sugar beet	500,000
	$532,991,200

Cobalt, Cowganda, Kootenay, and the Crows' Nest Pass may be great names to conjure with in mining markets, but they cut a small figure in the aggregate wealth of the Dominion. Taking the latter as shown above at 1341 million dollars, the mineral part of it represents less than 7 per cent of the whole, while the industrial output is close on 40 per cent, and the agricultural output is valued at 54 per cent. In order to make up the 7 per cent, a very elastic interpretation has to be given to the term "minerals." Over fifty separate articles are included in it, and some of them, it must be admitted, are rather far-fetched—mineral water, for instance, bricks, drain tiles, and pottery. After all, it is only ten minerals out of the fifty that are of much account either financially or economically.

A total of 77½ million dollars for the two principal groups, deducted from 90¼ millions, leaves only 13 million dollars for the whole of the other thirty minerals in the official catalogue. When we get down to hard pan, Canada is found to have as yet only four minerals of first-rate importance—namely, coal, copper, nickel, and silver. It is not by any means a small number, for few countries have so many. On the other hand, it is nothing miraculous in the way of mineral wealth. The Canadian editors, when turning the lime-light on their mineral statistics, would do well to remember that they have a few competitors in that line—the United States for instance—who

might furnish them with a useful standard of comparison. With one exception, Canada's five principal minerals look rather small beside the corresponding American totals:—

United States Mineral Products, 1907.	
Coal	$657,307,994
Copper	181,660,141
Nickel	7,875,000
Silver	38,445,181
Gold	89,191,726
	$974,480,042

Nearly a thousand million dollars per annum against Canada's 65 million dollars. In coal the proportion is 27 to 1, in copper 26 to 1, in gold 9 to 1, and in silver nearly 3 to 1. But in nickel Canada has the best of it, her production being about a fifth larger than the American. Canada's secondary group of minerals compares with the following United States totals as under:—

Portland cement	$53,992,551
Lead	37,288,845
Asbestos	11,700
Pig-iron	580,077,896
Petroleum	123,260,948
	$794,631,940

Nearly eight hundred million dollars against 12¼ millions. In cement the relative proportion is about 11 to 1, in lead 18 to 1, in pig-iron 290 to 1, and in petroleum 220 to 1. But in asbestos

Canada turns the tables. The United States is practically destitute of that rare metal, and has to depend chiefly on Canada for necessary supplies. But this does little to diminish the contrast between the mineral and metal products of the two countries. The grand totals of the ten items are—United States, 1769 million dollars per annum; Canada, 77½ million dollars.

The Canadians have still a long row to hoe before they get within sight of the Americans as mineral producers. And apart from physical conditions there are many limits to their rivalry. Even granting that they possess equally rich natural deposits, they may not have equal facilities for working them, they have certainly not an equal supply of working capital, nor can they for generations to come expect to have an equally extensive home market. As for reciprocity in minerals, it is most likely to play into the hands of the Americans.

Behind all these uncertainties looms up the very serious consideration whether or not such rapid exhaustion of natural resources as the Americans are carrying on is worthy of imitation. That question has come up in a very urgent and even alarming form with regard to timber. It is equally serious with regard to minerals and the staple metals. In this direction public control might be much more profitably and beneficially exercised than it is in some of its latest ventures. Checks of some kind on the reckless waste of in-

dustrial materials—especially timber and iron—are inevitable. The effect they are likely to have on the market values of over-capitalised industrial undertakings cannot be too soon taken into consideration.

The scientific regulation of prices is as yet a dream of the theoretical economist, but practical business men are running up against it at every turn. They have to deal with it in their own hand-to-mouth way. The prices of finished products are to a large extent regulated by syndicates and combines. From the finished to the half-finished products and from these to the raw materials will be natural and logical steps for the regulators to take. Middle-aged men may live to see the annual outputs of coal and iron mines and even of the precious metals adjusted to the *bona fide* requirements of the countries owning them, instead of being left to the merciless greed of speculators and company promoters. That would mean an entirely new basis of mining values and a much steadier one. It would furnish at the same time more rational and reliable standards of mining wealth. There would be less violent ups and downs in mining business, fewer mad rushes to new discoveries, and also fewer dried-up mining camps.

Canadian mines have had their full share of vicissitudes. The rockets that have shot up from them, blazed for a time, and then fizzled would make a pretty long history. The latest chapter

in it would describe the rise and fall of the Yukon gold-field. It began in 1896 with an export valued at $300,000. At the end of that year the pioneers were sending down specimen stones and nuggets. The first of them I ever saw were in Sir Wilfrid Laurier's office at Ottawa. He had just received them from the Government inspector who had been sent up to report on the new discoveries, and he exhibited them with great pride as the first-fruits of what might prove to be a Canadian California. For several years there was every promise that his hopes were going to be fulfilled. In 1897 2½ million dollars worth of gold were brought out. In 1898 the amount was quadrupled and reached 10 millions. In 1899 there was a further advance to 16 millions, and in 1900 another jump to 22¼ millions. But that was the Yukon's high-water mark. In 1901 the recoil began and there was a drop to 18 million dollars. Since then decreases have followed each other without a break, until in 1907 the total value of the receipts at the Assay Offices was only $3,150,000.

When the Yukon gold-fields began to fall off those of British Columbia were opening out well, and for a time it was hoped that they would make good the Yukon decrease, but they too soon reached their high-water mark. The placer mines passed it in 1899 and have been ever since on the decline. By a curious coincidence the lode mines made their record output in 1905 and

have also been on the down grade of late years. In 1899 the yield of the placers was valued at $1,344,900, and it fell in 1901 to $970,100. A short-lived recovery raised it in 1904 to $1,115,300, but here the decline began again and has been continuous ever since. In 1907 the yield was well below a million dollars—in fact it was only $828,000.

Owing to these discouraging results placer mining has gone very much out of favour in British Columbia, and it may be doubted if the Canadians have made anything out of it in the last twenty years. The old-time diggers got nearly all the money there was in the surface deposits. In their two successive booms, the first in 1858 and the second in 1863, they achieved an average annual yield of from three to four million dollars. They began with $705,000 in their first year, and steadily rose to $3,913,000 in 1863. The scientific placer mining which succeeded the hand cradle period seldom got up to a third of the diggers' output. With few exceptions it has been a losing game, and it is no longer mentioned among the illustrations of Canadian prosperity.

The lode mines of the Kootenays belong to the Canadian Pacific Railway period just as cobalt is identified with the Temiskaming and Northern Ontario Railway. But one important difference is to be noted between the two cases. The cobalt discovery was actually made by the railway

in course of its construction, but the Canadian Pacific simply opened up Kootenay and called attention to it. It led to no direct discovery of importance. Nelson, Rossland, Slocan, and the Boundary district were all many miles from the main line of the Canadian Pacific, and the original prospectors entered the country from the opposite direction. They were Americans who crossed over from the States and followed up the waterways then unknown, but soon to be rendered familiar to all the world by a series of famous mining camps.

Rossland, Slocan, and the Boundary district teem with examples of Canadian mining booms. The prospecting was as usual done by Americans. The financing was done partly by Americans and partly by Canadians. Montreal and Toronto were at one time as chin deep in Kootenay mines as they are now in Cobalts. It is to be hoped that they will get better out of their new favourites than they did out of the old ones. They were badly singed in Rossland, and would have been much worse burned if the late Whitaker Wright and other British company promoters had not picked the hottest chestnuts out of the fire for them. The recent shutting down of Le Roi was a melancholy echo of the past as well as a timely warning for the future. It was the latest and in some respects the worst example of how the mining game is played by international experts. American pro-

spector, Canadian politician, London financier, and confiding British investor follow each other in regular order. Which of them usually gets left requires no saying.

But notwithstanding all its fizzles and fiascoes British Columbia is undoubtedly a great mineral country. It claims to be the miner's paradise of the Dominion, and with reformed methods it may yet prove its claim to that distinction. The British Columbians themselves have unshaken and unshakeable faith in their minerals as well as in their fruit, their lumber, and their salmon canneries. They lose no opportunity of proclaiming their coal measures to be "the most extensive in the world." The coal mines of Kootenay alone are, they say, capable of yielding ten million tons a-year for 7000 years. They have equally immense deposits of iron ore which are still quite undeveloped.

After all, it is coal and iron, not gold and silver, that build up great nations. The possibilities of Canada in these respects are still unknown. They can hardly be estimated even by geologists, and as for working, they have only been scratched here and there. Such development as has been done on known iron deposits in various parts of the Dominion has proved encouraging, and this is perhaps the best channel into which Canadian enterprise can be directed at the present day. In the Province of Nova Scotia numerous pockets of iron ore have been opened up which on smelting

prove equal to the best Swedish. Beds of hematite iron are known to exist at Woodstock in New Brunswick and at Hull in Quebec. The Province of Quebec has also a notable bed of chromic iron at Coleraine. In Ontario magnetic iron occurs at four or five different places—namely, Crosby, Belmont, Seymour, and Sudbury.

About thirty miles from Sudbury mining operations on an extensive scale have been carried on for several years by a Canadian-American syndicate. A fully equipped plant has been erected, a branch line from Sudbury has been run into the mines, and a convenient shipping place has been found on the east side of Georgian Bay.

That the mineral industries of Canada are being energetically developed is proved by the large amount of financing devoted to them. In Montreal and Toronto about a dozen companies of that class are officially quoted, and their securities, both stock and bonds, are extensively dealt in. The grand total of their capitalisation is not far from two hundred million dollars. It comprises three issues of bonds, aggregating $12,414,000, and ten issues of stock, preferred and deferred, amounting to $175,229,166. Besides these, there are several Canadian issues on the London market, including $5,000,000 of Lake Superior Corporation Bonds. The following appear in the Toronto Stock Exchange list :—

CANADIAN COAL AND IRON SHARES, 1910.

Lake Superior Corporation	$40,000,000
Dominion Steel and Coal Company	35,000,000
Do. Iron and Steel	25,000,000
Canadian Cement	25,000,000
Dominion Coal Company	18,000,000
Amalgamated Asbestos	9,999,500
Crows' Nest Pass Coal Company	6,212,666
Nova Scotia Steel	6,017,600
Nepissing Mines	6,000,000
Black Lake Asbestos	3,999,400
	$175,229,166

The three issues of bonds stated below make an additional $12,924,000—

CANADIAN COAL AND IRON BONDS, 1910.

Dominion Coal	$5,000,000
Dominion Iron and Steel	7,414,000
	$12,414,000

Within the past few years three considerable lines of Canadian iron and coal bonds have been placed in London, namely:—

Lake Superior Corporation First Mortgage 5 per Cent Gold	$5,000,000
Canada Iron Corporation First Mortgage 6 per Cent	600,000
Western of Canada Coal First Mortgage 6 per Cent	150,000

CHAPTER XVII.

BRITISH CAPITAL IN CANADA.

ANY estimate that can be formed of the amount of borrowed capital in Canada must necessarily be little more than guesswork. But even if exact results cannot be arrived at, the attempt to reach them is in itself beneficial. It is in the highest degree educative—first, as regards Canada; and secondly, as regards the ever-widening science of international finance. It fosters, both among lenders and borrowers, a healthy spirit of caution. It furnishes an indispensable basis for national finance. All conscientious borrowers, whether public or private, intend to keep within the limits of solvency, but few of them are able to judge correctly what these limits are even in their private affairs. How much more difficult must it be to ascertain and observe the limits of national solvency.

Not many borrowing nations have yet begun to trouble themselves seriously about such questions. They prefer the cynical view of Sheridan,

who, when asked if the thought of his debts never kept him awake at nights, replied, "Why should they? It is my creditors that they should keep awake." As a rule Colonial Governments have not been of Sheridan's sort. They have appreciated the inestimable value of good credit, and have done their best to maintain it. What an advantage that was for them in their early days they are only now beginning to realise. It was no less advantageous to the Mother Country, because it formed a bond of union between them. When all other influences, and political influences in particular, tended to push the colonies out of the Empire, the fact that London was the only place which could finance them held them to their old allegiance.

It is hardly too much to say that in the first quarter of a century of colonial self-government Lombard Street was the chief centripetal force in the Empire, while St Stephen's and Downing Street were almost entirely centrifugal. In those days the colonies might have drifted apart but for the financial ties, which grew stronger and stronger as the political ties relaxed. In course of time commerce came to the help of finance, and between them they gradually grew too strong for the anti-imperialist policy. Though Lombard Street is no longer so absolutely necessary as it was to the colonies, it is still their best friend. It has always given them a preference much more valuable than anything that the Tariff

Reformers could offer them. As borrowers they have been systematically favoured, and the exceptionally good credit they enjoy in the City has its sentimental as well as its purely business side.

A magnificent illustration of that truth is to be found in the recent financial history of Canada. She has had millions of British capital heaped up on her while other borrowing countries, with as good security to offer, have had difficulty in obtaining a third as much. But the money actually lent has been only a small part of the financial benefit she has received. In addition, she has had the use on special terms of the world-wide credit system centred in London. Tangible commodities and securities are nowadays but a small part of human wealth. Banking credit is a separate and distinct asset which in course of time may overshadow the other two. In this respect London has been an unspeakable benefactor to the world in general, and our colonies in particular. Having created a great banking system for itself, it helped Canada, Australia, South Africa, and nearly every other outlying part of the Empire to connect themselves with it.

The actual money lent to the colonies, however huge our estimate of it may be, is a secondary matter compared with the means and the machinery with which the colonies were supplied for creating capital of their own. That is the

first and greatest of the financial debts which they owe to the Mother Country. It cannot be measured or expressed in figures. Special financial intelligence is needed even to realise it. But though it cannot be made either visible or tangible, it may form a good background to our estimates of money lent and capital invested in the Dominion. In the opinion of one of our most skilful and painstaking statisticians, these now amount to about three hundred millions sterling.

That will serve well enough for a starting-point from which to measure future progress. It may be that further tests will lead to its modification, but it can be provisionally accepted as a working hypothesis. The next step in our inquiry will be to find some reliable measure of the rate at which our Canadian investments are growing. On this part of the problem the Canadians themselves are the best authorities, and it is satisfactory to observe that they are working on it most diligently. Several experts are endeavouring to make a regular record of the new capital entering the Dominion from all quarters, British and foreign. Their figures, like those of Mr Paish, have to be rounded off with estimates and approximations. Nevertheless they have practical value both for the student and the man of business.

The most detailed calculation of Canada's recent borrowings has been made by Mr F.

W. Field, the editor of the 'Monetary Times' of Toronto. In a series of articles reprinted under the title of "Investment of British and American Capital in Canada," he has traced the various channels through which capital has poured into Canada from its two principal feeders—Great Britain and the United States. The following are the British totals for a period of five years preceding 1910:—

BRITISH INVESTMENTS IN CANADA, 1905-9.

Canadian Public Flotations in London	$481,061,836
Mining Investments	56,315,500
Industrial Investments	22,500,000
Land and Timber	19,000,000
Municipal Bonds sold privately	10,000,000
British Insurance Companies' Investments	9,731,742
Loan and Mortgage Companies' Investments	5,719,774
Canadian Bank Shares	1,125,000
	$605,453,852

Say £121,090,770 for the five years, or at the rate of £24,218,154 per annum. In the same five years the aggregate of the public issues made in the United Kingdom for foreign and colonial countries was £785,000,000. So that Canada's $481,000,000, or £96,200,000, formed nearly an eighth of that huge amount. No colony or foreign state has ever before been so liberally treated in London. No other borrower, colonial or foreign, has ever obtained such a predominant share of our new capital creations. Even greater favour appears to have

been shown to Canada in our private and indirect investments. These aggregated in the five years $124,392,000—about a fourth of the public issues on Canadian account, and fully a fifth of the entire capital invested.

In these five years there was undoubtedly a keen appetite for Canadian mines, land, lumber, and industrial stocks. The aggregates given by Mr Field look large, but he has taken great pains to verify them, and they may be accepted as conservative estimates. The public flotations in London—$481,061,836—differ from the other items in being actual figures recorded month by month. Their sterling equivalent—£98,983,917—is further analysed as follows:—

CANADIAN PUBLIC ISSUES, 1905-1909.

Railroad bonds and stocks	£47,853,484
Government	30,756,900
Municipal	6,536,863
Light and power	4,046,522
Industrial	3,143,148
Mining	2,349,554
Miscellaneous	2,103,806
Land and timber	1,651,140
Paper and pulp	542,500
	£98,983,917

The largest of the railway borrowers was the Grand Trunk Pacific, which, in the five years, got £14,294,000. The second largest was the Canadian Pacific, with £11,027,980. The Canadian Northern had altogether £9,840,687,

the Grand Trunk £2,598,400, and the Canada Atlantic £1,025,000. There was thus on the three transcontinental roads an aggregate expenditure of £38,696,000 in the five years, or at the rate of £7,739,200—nearly seven and three-quarter millions a-year. What an enormous effect such expenditure must have had on the trade and industry of the Dominion is obvious. If it could be continued indefinitely, Canada's future would be very bright indeed. Unfortunately, another year or two may see a great reduction in it.

Besides the three transcontinental lines, there were a number of tributaries and local roads financed here. The Canadian Northern of Ontario got £1,593,569, making nearly 11½ millions sterling for the Mackenzie and Mann system. The Canadian Pacific raised for the benefit of its American connections over a million and three-quarters, of which the Wisconsin Central had £514,403 and the Soo road (Minneapolis, St Paul, and Sault Ste Marie) £1,244,444. A new project, the Alberta Great Waterways Railway Company, has started with over a million and a half of British money (£1,520,000).

To another new project, not in the North-West but in the Province of Quebec, a melancholy interest attaches. Among the assets of the bankrupt Charing Cross Bank the principal item was bonds and stock in the Atlantic, Quebec, and Western Railway. The bank was practical owner of the road, and the most serious question

for the liquidator will be what he should do with it. According to Mr Field, no less than £925,000 was borrowed on it in this country, and the line is apparently not half finished. Two notable electric railways also invite notice —Winnipeg, with a £300,000 issue of bonds, and the British Columbia system, for which no less than £1,285,000 was raised in the five years.

The six and a half millions sterling which has been handed over to about a dozen Canadian municipalities gives us occasion to think, if not, as a Frenchman would say, "furiously," at least seriously. These municipal issues may easily be overdone, and they are the most difficult of all to keep a vigilant eye upon,—the more so as they are brought out in a rather bewildering variety of ways, and not all of them above-board. The same municipality may be borrowing at home, in Toronto or Montreal, and in London simultaneously. Some of them have even tried New York. The public issues with which London has been favoured in the five years 1905-1909 were—

CANADIAN MUNICIPAL ISSUES, 1905-1909.

Winnipeg	£2,327,642
Montreal	1,400,000
Vancouver City	531,300
Edmonton	514,100
Toronto	394,100
Calgary	257,800
Carry forward	£5,424,942

Brought forward	£5,424,942
Regina	224,700
Quebec	192,821
Victoria	159,800
Ottawa	156,900
St John	115,000
Sherbrooke	102,700
Saskatoon	100,000
Fort William	60,000
	£6,536,863

The effect of the above new issues has been to nearly double the municipal indebtedness of Canada in London. Only ten of the fourteen are as yet officially quoted, but they make an aggregate of over fourteen and a half millions sterling. Arranged in the order of their magnitude, they appear thus:—

CANADIAN MUNICIPAL BONDS OFFICIALLY QUOTED, OCTOBER 1910.

Montreal	£5,345,176
Winnipeg	2,946,700
Toronto	2,494,866
Vancouver	1,407,600
Quebec	991,496
Calgary	598,500
St John's, N.B.	256,400
Woodstock[1]	238,400
Victoria	197,600
Saskatoon	100,000
Moncton	60,400
	£14,637,138

[1] Had no new loans in 1905-1909.

Even that was not the whole tale of Canada's municipal borrowing. In Mr Field's summary of British investments in the five years ($605,453,852) it will be observed that there is a separate item of $10,000,000 for municipal bonds sold privately. This indicates a new method of placing Canadian securities on the British market, which has some obvious drawbacks. It deprives dealers and investors of the necessary means of watching the supply of such securities and the amount of them outstanding at a given date. When they are openly issued, all interested persons can keep track of them and form their own opinion as to the state of the market. But when large blocks are placed privately, or, worse still, when they are pledged in London banks, the situation may be to that extent misleading.

The whole amount of Canadian municipal bonds now officially quoted on the London Stock Exchange is under fifteen millions sterling. The above ten million dollars, or two millions sterling, placed privately is therefore a comparatively large addition. If further private issues are still being made at a similar rate, say two million dollars per annum, the concealed issues might soon become larger than the public ones. Any judgment as to the value of such bonds based on the amounts officially quoted would then be quite unreliable. Here the very superiority of Canadian credit may become a

danger to itself and others. Its securities are in such favour that they are readily bought or financed without coming on the open market. There is no knowing what quantity of them may have been already distributed through the various private channels open to them—banks, insurance companies, investment trusts, finance houses, and capitalists.

To have secured in five years nearly a hundred millions sterling of British money by public issues should have been fairly satisfactory to the Canadians. It should not have left much occasion for private financing at the same time, especially of the class of securities least suitable for keeping out of sight. The Canadians frequently reproach us with sticking too closely to investment securities, and impress on us the example of the American capitalists, who prefer the higher yields and greater excitements of industrial ventures. But, judging by the above $605,000,000, we have had a fair share of Canadian speculation lately. It is true that we put only $22,500,000 into industrials in the five years — a mere flea-bite compared with the Americans' $105,000,000 — but in other directions we seem to have taken considerable risks.

Outside of the public issues already analysed we have put $56,315,000 into mines and $19,000,000 into land and lumber, all eminently speculative investments. In fact, our mining ventures exceeded the American total by several

million dollars. In the aggregate, the American investments, during the five years, were less than half as much as the British. They are thus classified by Mr Field:—

American Investments in Canada, 1905-1909.

Industrial companies (175) . .	$105,000,000
British Columbia mills and timber .	58,000,000
Do. mines . . .	50,000,000
Alberta land deals	20,000,000
Do. lumber and mines . .	5,000,000
Meat packing plants . . .	5,000,000
Implement agencies . . .	6,575,000
British Columbia lands . . .	4,500,000
Municipal bonds sold privately .	25,000,000
	$279,075,000

The one line of enterprise in which British capitalists have allowed themselves to be beaten by the Americans in equal competition is industrials. There they have doubtless been slack and short-sighted, but of late a marked waking up has taken place among them. In land and lumber deals they had never much chance against the Americans and Canadians, who have made these their peculiar privilege. Into such deals there has generally been a large infusion of politics not always above suspicion. They demand local knowledge and familiarity with all the technical intricacies of land laws and timber licenses. It is doubtful if Englishmen, who hate details, and like to keep politics out

of business, could ever have been much at home among timber limits, and they may be as well out of them.

Years ago some Scottish companies experimented very unsuccessfully in Canadian timber, and that warning may have been taken too much to heart. It certainly damped Scottish ardour and may have had a sympathetic effect in England. But the great distinction between British and American investors with regard to Canadian land and lumber deals is that the American can combine them with everyday business, while for Englishmen that is very difficult. An American speculator in land, timber, pulp, coal, or other natural products, is continually in touch with the markets for such commodities. With him land and timber deals are not outside speculations; they are all in his day's work. On the contrary, a British speculator who has no special knowledge of Canada must go out of his way for such deals, and in default of special knowledge he has to trust to experts, real or pretended, in handling them.

On the whole, he may be better, as well as safer, in concentrating himself on investments yielding fixed returns. If they offer no prizes like those of the American lumber kings and land boomers, neither do they entail any disastrous risks. In twenty years' time a steady average of 4 per cent on the British $605,000,000 may amount to quite as much as the net result of

the big gains and big losses which the Americans will make on their $279,000,000.

Another point in favour of the British investor is that he will excite less political jealousy than the American millionaires, who may emerge from the $279,000,000. Canada has not yet had time to develop socialistic sentiments, but already rich men have been given in various ways to understand that they are not popular. Municipal bodies, eager to emulate their success as traders or financiers, are plunging into competition with them. Large sections of the Canadian press pander to that unhealthy prejudice. It is so strong and so widespread that the foremost bankers in the Dominion have uttered grave warnings against it. Three or four years ago Sir Edward Clouston, the President of the Bank of Montreal, on returning from a visit to Mexico, compared the political ethics of the Republic and the Dominion in a style far from flattering to his own countrymen. Replying to a question about the safety of foreign investments in Mexico, he said:—

> In every instance in Mexico in which a corporation acts in good faith—desirous of giving a good service and, at the same time, earning a profit upon investment—the whole resources of the State are at the disposal of such corporations to guarantee security in the enjoyment of their franchise. This is not the case in Canada to-day [he added]. It is certainly not the case in Ontario, where you see a disposition to apply socialistic theories to the operation of public utilities.

To a Canadian journalist such sentiments sounded incredible, and another question was put to make sure. Sir Edward repeated his anti-socialist warning in more emphatic terms:—

> That is just it. Investments are secure in Mexico. There is nothing to alarm capital. But in our own country, and particularly in Ontario, we can see that the application of socialistic theories might well produce the gravest conditions with respect to the investment of capital.

Canada has another eminent and respected banker who is listened to with respect on all financial and economic subjects. About the same time that Sir Edward Clouston was praising Mexican honesty, Sir Edmund Walker, the President of the Canadian Bank of Commerce, addressed an important assembly at Halifax. In doing so he emphasised the importance of safeguarding the financial credit of the Dominion:—

> If [he said] we desire to maintain the splendid credit we now enjoy, and if we reflect on the quantity of new capital we shall require year after year as we build up our country, then it behoves every good citizen to see that the incipient hatred of success which is being encouraged every day by hundreds of inexperienced writers in our daily press be stopped, otherwise we must certainly suffer severely in our credit.

Canada has doubtless immense natural resources, but on the other hand they have been pretty heavily mortgaged. Her indebtedness to Great Britain, which some time ago Mr Paish

estimated at £300,000,000, may now be nearer £400,000,000, and it is growing at an average rate of £20,000,000 to £25,000,000 a-year. In addition, she owes about $300,000,000 to the United States, and that is also increasing rapidly. Mr Field estimates the other foreign capital invested in the Dominion at $77,889,650. The grand total of her external obligations is not much, if any, less than five hundred millions sterling (£500,000,000), a tidy sum to earn interest upon year in and year out.

CHAPTER XVIII.

HOW MUCH OF CANADA'S WEALTH IS CREDIT?

NOWADAYS material products are only one element in the wealth of a country. Wheat and beef feed men, but do not make them rich in the modern sense. Railways, traders, speculators, bankers, and public authorities come in afterwards and invest the material products with new kinds of value. They create and foster markets for land, houses, food, and everything saleable. To this series of secondary values are added others still more artificial. Public funds, mining and industrial stocks, banking credits, &c., are built up on a comparatively narrow basis of substantial wealth. These artificial and derivative creations go on multiplying until it becomes difficult for any nation to distinguish between real and conventional values.

To take an extreme illustration. The great increase of the past quarter of a century in Canada's agricultural and mineral output, if we could imagine it happening in a more primitive state of society, might have been

entirely free from the speculative developments which have here accompanied it. It might not have excited any land boom, or railway boom, or banking boom. Instead of raising the price of land from a dollar an acre to twenty or thirty dollars, it might not even have doubled it. Instead of conjuring up towns and cities on the prairie as if by a wave of a magician's wand, it might have merely led to a moderate increase in the farming and mining population.

Compared with the millions of new settlers who have flocked into the Dominion during the past quarter of a century, the actual increase in production of all kinds is small. The agricultural output in particular is quite disproportionate to the immense superstructure of industry, commerce, and finance which has been reared on it. An attempt will be made here to distinguish between the two growths, and to show from how small a seed the spreading tree of Canadian prosperity has sprung. It must be promised, however, that for so novel and unusual a comparison somewhat intricate methods of analysis are required.

First of all, the primary commodity values must be distinguished as far as possible from credit values. For example, an addition of so many able-bodied and efficient workers to the population of a country is an increase in its substantial wealth. Secondly, an addition of so many million bushels of grain or tons of

coal to its supply of food and fuel is also an increase of substantial wealth. In both cases there is something tangible to show for it, something that was not there before, and which enables new production to be carried on. The same may be said of all material products of human industry—in other words, of all consumable commodities. They have, in fact, two values—one in use and another in exchange.

If they were consumed by the community which produced them they would be a simple addition to its stock of enjoyable goods, and no further result might follow. All other values might remain as before, but when they have to be marketed elsewhere a long train of new operations is set agoing. Means of transportation, storage, distribution, sale, and finance have to be created. Here we get landed in a labyrinth of secondary values. To some extent they are substantial in so far as they represent services rendered which add to the worth of the original commodity. To a much larger extent they are artificial in so far as they excite speculation not merely in the commodities themselves but in everything connected with them, however remotely. A good harvest under such conditions leads to more railway building, more immigration, higher prices for agricultural land, still higher prices for town lots, greater activity in banking, and finally to an all-round burst of speculation.

Then it becomes a question how much of the

reputed wealth of such a country is represented by tangible commodities or services and how much by credit values. That there should be a safe proportion between the two is obvious. It is necessary to sound business, economic well-being, and national stability. In young countries which are developing their resources with unusual rapidity a proper balance between commodity and credit values is the most necessary of all considerations. For example, a decline of twenty cents a bushel in Manitoba wheat might sweep away one-half of the speculative values in the Prairie Provinces. A drop of fifty per cent in the output of the Cobalt mining camp might cause heavy depreciation of every piece of property in Northern Ontario.

It is therefore a supremely vital question for the Canadians whether or not their credit values are not running ahead of their commodity values. The only check available as yet is to be looked for in the official statistics of production, industry, and finance. The most important of these are set out below in a series of tables covering the past quarter of a century of Canada's progress in agriculture, mining, manufacturing, commerce, railroading, and banking. The respective increases are for facility of comparison reduced to percentages:—

Canada's Agricultural Growth, 1885-1909.

		1881.	1909.	Increase.	Percentage of Increase.
Land cultivated	Acres.	21,899,181	30,065,556	8,166,375	37.3
Cereal crops raised—					
Wheat	Bshls.	32,350,369	166,744,000	134,393,631	415.4
Oats	,,	70,493,131	353,466,000	282,972,869	401.4
Barley	,,	16,844,868	55,398,000	38,553,132	229.0
Agricultural exports—		(1885)			
Quantities—					
Wheat	Bshls.	5,423,805	49,137,449	43,713,644	805.8
Flour	Bar'ls.	161,054	1,738,038	1,576,984	979.5
Oats	Bshls.	2,359,002	5,255,610	2,896,608	122.8
Barley	,,	9,067,395	2,959,335	6,108,060[1]	67.3[1]
Values—					
Wheat	$	5,777,744	56,139,355	50,361,611	871.8
Flour		556,530	7,991,413	7,434,883	133.6
Oats		893,513	2,175,765	1,282,252	143.5
Barley		5,503,833	1,744,687	3,759,146[1]	68.3[1]
Annual products exported—					
Cattle		11,193,477	11,798,028	604,551	5.4
Meats		808,891	9,984,425	9,175,534	1134.3
Provisions		12,386,413	29,567,193	17,180,780	138.7
Total breadstuffs exported		11,744,463	62,380,192	50,635,729	431.0
Total agricultural exports		14,518,293	71,997,207	57,478,914	396.0
Total animal exports		25,337,104	51,349,646	26,012,542	102.6
Total agricultural and animal exports		39,855,397	123,346,853	83,491,456	209.4

1908, Wheat, 112,434,000 Bshls.; Oats, 250,377,000; Barley, 46,762,000.
[1] Decrease.

Canada's Industrial Growth, 1885-1906.

		1885.	1906.	Increase.	Percentage of Increase.
Industrial establishments		12,404	15,796	3,392	27.3
Capitalisation	$	296,350,316	846,585,023	550,234,707	185.7
Wage earners		269,093	356,634	87,541	82.5
Wages	$	78,492,345	134,575,925	56,083,580	71.4
Value of products		359,082,636	718,352,603	359,269,967	100.0

Canada's Commercial Growth, 1885-1909.

	1885.	1909.	Increase.	Percentage of Increase.
Imports for home consumption	$102,710,019	$288,217,515	$185,507,496	180.0
Exports of Canadian produce	79,131,735	242,603,584	163,471,849	206.5
Staple exports—				
Annual products	25,337,104	51,349,646	26,012,542	102.6
Agricultural products	14,518,293	71,997,207	57,478,914	396.0
Fisheries	7,960,000	13,319,664	5,359,664	67.3
Forests	20,989,708	39,667,387	18,677,679	89.0
Mines	3,627,211	37,257,699	33,630,488	927.0
Manufactures	19,280,901	28,957,050	9,676,149	50.1
Shipping—				
Tonnage entered inward	3,800,664	10,264,187	6,463,523	170.0
Tonnage entered outward	3,843,951	9,501,689	5,657,738	147.1

Canada's Railway Growth, 1885-1909.

	1885.	1909.	Increase.	Percentage of Increase.
Mileage	10,150	24,104	13,954	137.5
Capitalisation—				
Gross earnings	$32,227,469	$145,056,336	$112,828,867	350.1
Working expenses	24,015,351	104,600,084	80,584,733	335.5
Net earnings	8,212,118	40,456,252	32,244,134	392·6

CANADA'S FISCAL GROWTH, 1885-1909.

	1885.	1909.	Increase.	Percentage of Increase.
Population . . .	4,324,810 (1881)	7,500,000	3,175,190	73.4
Public revenue . . .	$32,797,000	$85,549,580	$52,752,580	160.8
Public expenditure . .	35,037,060	133,441,524[1]	98,404,464	280.8
Public debt . . .	264,703,607	478,535,427	213,831,820	80.7
Post Office—				
Savings Bank accounts .	73,322	155,895	82,573	112.6
Savings Bank deposits .	15,090,542	45,190,484	30,099,942	199.6
Letters posted . .	68,400,000	414,301,000	345,901,000	505.7

[1] Revenue expenditure $90,848,357
Capital expenditure 42,593,167

$133,441,524

The elaborate details given in the above tables call for a few explanatory remarks. The Census Bureau of the Dominion makes a gallant attempt at a census of national wealth, which, like everything of that sort, is bound to be to a large extent conjecture. But such as it is, it may be useful and interesting. In the census of 1901, the values of farm property were estimated for the whole Dominion at $1,787,102,000. The crops of the same year valued at farm prices amounted to $364,906,000. So far as these figures go, they indicate that the capital invested in land and its cultivation was in 1901 making a gross return of about 20 per cent per annum, of which, after deducting expenses, one-half might be net profit.

In the same year the manufacturing industries

of the Dominion, inclusive of lumber, had an estimated capital of $864,585,000. The annual value of their products was given at $718,352,000, out of which $134,376,000 was paid for wages. The cost of the raw materials is not stated, and consequently no estimate can be made of the net earnings on capital. But it is not likely to have exceeded the 20 per cent gross and 10 per cent net obtained from agriculture, which is generally recognised as the most prosperous industry in the Dominion. These rates would give $169,317,000 and $84,658,500 net as the annual average of Canada's manufacturing profits in 1901. The mineral output of the same year was officially valued at $66,712,000, on which 10 per cent of net profit would have amounted to $6,671,200.

Without encumbering our calculations with the minor industries of the Dominion, let us concentrate our attention on these three primary sources of national wealth—that is, material wealth unsophisticated as yet by credit operations. Their gross returns and net profits in 1901, as based on the official census, were—

	Gross Returns.	Estimated Net Profits.
Agriculture .	$364,906,000	$182,453,000
Manufacturing .	718,352,000	71,835,200
Mining . .	66,712,000	6,671,200
	$1,149,970,000	$260,959,400

A primary income of say 261 million dollars or

52 millions sterling was in 1901 the basis of Canadian finance. Commodities of various kinds having that market value at the current prices of the day were being actually produced. But they were not all convertible into permanent capital. A home population of five and a half millions had to be fed and clothed and housed out of them before any surplus could be sold outside of the Dominion. This surplus of exportable commodities was the principal instrument available for creating credits, and it will be seen shortly what vigorous use was made of it for that purpose. The exports of Canadian produce in 1901 were valued at $177,431,000, which was less than one-sixth of the domestic production of the year in the above three industries—agriculture, manufacturing, and mining. The value of their total output as given above was $1,149,970,000, so that the $177,431,000 exported was little more than 15 per cent of the whole.

The prosperity of the decade which followed the census of 1901 cannot therefore be attributed in a very large degree to material production. The agricultural, manufacturing, and mining output merely started the boom, and quite other causes gave it the immense expansion which it afterwards achieved. In other words, it was what went into the country rather than what went out of it in those days that produced the display of apparently boundless wealth it is now making. Already, in 1901, the resources of Canada were heavily mort-

gaged to outside capitalists. The British and foreign capital invested in them at that time would not be less than two hundred millions sterling, or a billion of dollars. In the following decade it may easily have been doubled.

The minute and laborious investigation made by Mr Field of the 'Monetary Times' led him to the conclusion that in the boom period, 1905-9, the foreign investments of various kinds made in Canada amounted to another billion dollars ($1,000,000,000), or two hundred millions sterling. The various amounts he has been able to trace were—

FOREIGN INVESTMENTS IN CANADA, 1905-9.

Great Britain		$605,453,852
United States		279,075,000
France	$49,250,000	
Germany	16,500,000	
Belgium	5,750,000	
Turkey	3,000,000	
Holland	1,000,000	
Russia	950,000	
Others	1,439,650	
		77,889,650
		$962,418,502

Such was the result of only five years of foreign financing. It is true that they were exceptionally active years — much more so, for instance, than the four years immediately preceding them (1901-5). But a considerable amount of foreign financing was also done in these preceding four

years. If we estimate it moderately at four hundred million dollars, or eighty millions sterling, the grand total for the nine years, 1901-1909, will be 1362 million dollars. The foreign credits created in these nine years—which is the technical phrase for money borrowed—had thus exceeded three-fourths of the entire value of the cultivated land and farm property in the Dominion in 1901. It was nearly four times the value of all the farm produce raised — grain, meat, provisions, vegetables, fruit, &c. It was twice the value of the manufacturing output of 1901, and twenty times the value of the mineral output.

In order to meet the most reasonable charges on the above $1,362,000,000 of new credit created, in other words, of new capital borrowed, the production of saleable commodities would have to be nearly seventy million dollars a-year greater than it was ten years ago. Moreover, this liability is continually increasing with the new capital that still pours in from abroad. Just now the influx may not be quite so strong as it was in 1905-1909, but it still runs into scores of millions of pounds annually. Year by year the question becomes more serious, whether or not Canada's material production keeps pace with the rapid expansion of her credit.

Credit operations always increase much more rapidly than the material products on which they are based. An addition of 20 per cent to the volume of the wheat crop may make local trades

50 per cent better. This in turn may nearly double the net earnings of the railways, while the combined prosperity of producers, traders, and railways may quadruple the operations of the banks. How the successive circles grow larger and larger is clearly shown in the above graphic picture of Canadian progress in the past quarter of a century. An inverted pyramid of credit, in other words, of banking business, was built up on the increased product of the farms and mines of the Dominion.

Very rarely can the two sides of a period of expansion be seen so clearly as they appear to-day in Canada. Thanks to a good service of official statistics, we can measure pretty accurately the increase of the chief Canadian products during these twenty-five years. Then, with the help of the banking returns, we can see how much larger an expansion has taken place in the credit operations of the country during the same period. A similar paradox appears in every boom, only the necessary data for investigating it are seldom present. Here we have them complete, and the investigations can be made with some prospect of useful results.

Canada lives on certain staple industries, the progress of which is carefully recorded year by year. Agriculture stands at the head of them, while lumber, minerals, fisheries, and manufactures follow in varying order. Finance, both local and international, begins also to play a consider-

able *rôle* in Canadian life. If we were to assume, as we naturally might, that the largely extended operations of the banks during this period fairly reflected the progress of Canadian industry and commerce generally, the facts would not fully bear out such an assumption. That, however, is no reflection on Canadian finance. It is a peculiar characteristic of all booms. On rising markets credit always goes ahead of actual production, and the greater the inflation the wider becomes the interval between the two. The causes of this divergence are still obscure, but the thing itself is patent to every one who will look for it beneath the surface.

The above tables exhibit the outputs of the principal Canadian staples in the years 1885 and 1909 respectively. They also show the percentage of increase in each case, and its relation to the growth of banking assets and liabilities in the same period. It is not suggested that banking operations should strictly conform to the variations of agricultural or industrial products, but only that the latter should be regarded as the ultimate basis of the former. Creations of credit founded on anything else than solid additions to national resources, agricultural and industrial, must in the nature of things be speculative.

The whole range of Canada's economic growth in the two most eventful decades of her history —those which followed the opening of her first trans-continental railway — is here graphically

illustrated. Let it be carefully compared with the next series of tables, which exhibit her banking growth during the same period. In the agricultural table the increases range from 38 per cent up to 1356 per cent. The former was in the area of land cultivated and the latter in the value of the flour exports—then a quite new business. Though in 1909 only 38 per cent more land was cultivated than in 1885, the crops raised were multiplied on an average fivefold. Wheat increased 435 per cent, oats 401 per cent, and barley 229 per cent. But it should be mentioned that 1909 was a bumper year. If the comparison were made either with 1908 or 1910 it would be much less favourable. The wheat yield of 1908, for example, was estimated at only 112,000,000 bushels as against the 166,744,000 bushels of 1909, while last harvest (1910) was not expected to exceed 100,000,000 bushels.

Another remarkable point in the agricultural table is the small proportion of the crop that is exported. Out of 112,434,000 bushels of wheat raised in 1908 only 49,137,000 bushels, or less than one-half, was shipped out. The other half had to be retained for domestic consumption, seed, &c. Of the 353,466,000 bushels of oats a mere fraction (5,255,610) was sent abroad, and it would be interesting to learn what became of the rest. The export of barley is also very small, but stranger still it has diminished con-

siderably since 1885. The changes during the quarter of a century have not always been upward. Some important ones have been downward. In other cases—their live cattle trade, for instance—Canada has only been marking time.

Her industrial progress cannot be traced throughout the whole quarter of a century, as the published returns do not come down later than 1906. In the twenty-one years, 1885-1906, the number of industrial establishments increased 127 per cent and their capitalisation 185.7 per cent, while the annual value of the products rose only 100 per cent and the amount paid in wages advanced only 33 per cent. The most probable explanation of these anomalies is higher prices for raw materials and larger profits for the manufacturers.

In the commercial table a fresh lot of paradoxical features present themselves. While the total imports for home consumption show an increase during the quarter century of 180 per cent and the exports an equally moderate advance of 205 per cent, the staple exports exhibit great diversity. In manufactures the gain is as small as 50 per cent, and in minerals it is as high as 926 per cent. The agricultural group as a whole is under 400 per cent—not an enormous advance to make in a quarter of a century. Fishing and forestry exports were still less progressive, their gains having been 67 and 90 per cent respectively.

The railway returns are more uniform than most of the others. They show an increase of 138 per cent in mileage, 335 per cent in working expenses, 352 per cent in gross earnings, and 392 per cent in net. All these are much greater than the actual additions to the staple products of the country appear to have necessitated. This suggests that the inward traffic may have done more than the outward to swell the railway revenues.

The fiscal table is another which gives less evidence of elasticity than might have been expected from the surrounding circumstances. In twenty-five years the public revenue increased only 160 per cent. The expenditure proper would have been about the same but for the capital outlays mixed up with it. Those raised it to 281 per cent, being about one-third capital and the other two-thirds revenue expenditure. Much to the credit of the Finance Ministers of the day the expansion of the public debt has been well held in check. It amounts to little more than 80 per cent for the twenty-five years. The last group in these tables—the Savings Bank accounts—provide a final surprise. Here the effects of the prolonged boom ought to have been conspicuously evident. An exceptional advance might have been reasonably looked for both in the number of accounts open and in the total volume of deposits. It is disappointing, therefore, to find less than the European rate of growth. In the twenty-five years the accounts

increased less than 113 per cent, and the aggregate balances only 200 per cent.

Canada's agricultural, industrial, commercial, and fiscal growth, great as it has been, is overshadowed by the expansion of her banking credit, as shown below:—

[TABLE.

CANADA'S BANKING GROWTH, 1885-1909.

	1885.	1909.	Increase.	Percentage of Increase
LIABILITIES—				
Number of banks	42	58	16	38.1
Capital paid up	$61,821,158	$97,329,353	$35,508,195	55.8
Deposits at call in Canada	59,210,355	225,414,828	166,204,473	280.7
Deposits at notice in Canada	51,324,060	464,635,263	413,311,203	805.3
Deposits outside Canada	...	70,788,822	70,788,822	...
Total deposits	110,534,415	783,298,880	672,764,465	608.6
Note circulation	29,692,803	73,943,119	44,250,316	149.0
Balances due Dominion and Provincial Governments	...	22,459,969	22,459,969	...
Balances due other banks and agencies	3,858,326	7,182,268	3,323,942	86.1
Total liabilities	$138,762,695	$882,598,547	$743,835,852	536.0
ASSETS—				
Specie	$17,412,479	$27,910,813	$78,145,982	449.0
Dominion notes		67,647,648		
Notes and cheques of other banks	5,641,686	33,813,992	28,172,306	499.2
Due from other banks and agencies	13,575,682	42,091,008	28,515,326	210.0
Government securities	3,755,274	14,533,548	10,778,274	287.0
Municipal and other public securities	15,649,229	21,707,363	6,058,134	38.7
Railway and other securities	...	50,783,614	50,783,614	...
Loans and discounts	169,495,000	760,828,965	591,333,965	348.8
Bank premises	3,235,514	19,772,402	16,536,888	511.1
Other assets	4,149,015	9,300,176	5,151,161	124.1
Total assets	$227,863,546	$1,067,007,534	$839,143,988	368.2

This last table proves at a glance what has been the strongest factor in the recent prosperity of Canada. It is a brilliant display of 200, 300, 400, 600, and 800 per cent gains. Only four out of seventeen items are below 100 per cent, while half a dozen of them are above 400 per cent. It is further significant that the largest of them are in the bank deposits. While the deposits at call have increased only 280 per cent, those at notice are up 805 per cent, and the two together make a high average of 608 per cent. These are symptoms to take note of, especially by the Canadians themselves. On a calm review of their past twenty-five years' growth they will find, I think, that credit has been even a larger factor in it than material production.

CHAPTER XIX.

BANKING, CANADIAN AND AMERICAN.

THE Americans are still pursuing with unabated and apparently unquenchable enthusiasm their favourite will-o'-the-wisp-panic proof banking. In quite a different way and a different spirit the Canadians are engaged on the decennial revision of their banking law. Two operations so utterly unlike each other as these can hardly be imagined proceeding together side by side. A contrast almost comical in its violence is presented by the schemes of banking reform now being discussed at Ottawa and Washington.

Senator Aldrich's latest project, which was suddenly sprung on Congress after the Christmas holidays, is more than usually dramatic even for him. It signalises quite a new departure of the arch-reformer. He throws over his original idea of a central bank to rival the Bank of England and substitutes for it a nondescript body called a Reserve Association. But judging from the spasmodic descriptions given of it the change is rather in the name than the thing.

What is now proposed is the establishment of a "Reserve Association of America," to act as a sort of head centre for the local associations of national banks. It would be chartered for fifty years with a capital of approximately £60,000,000, and a head office in Washington. As "the principal fiscal agent of the Government," it would take over the enormous financial operations of the Treasury—a gigantic business of itself. As the chief international bank, it would fix the rates of exchange and discount. Its notes would eventually replace those of the national banks, and they would be based on prime commercial paper as well as on Government bonds.

This brave programme opens up a new field of great extent and variety. Whether we consider the vast scope of its proposals or their extreme novelty or the multitudinous opposition they are certain to provoke, it will be seen that it is not likely to be realised in a hurry. With thinly disguised sarcasm a correspondent remarks that "there is no present prospect of its enactment." It may be in reality only a contribution to the international museum of banking and currency schemes which the Monetary Commission have spent half-a-dozen years in collecting from all the ends of the earth.

One clever feature in Senator Aldrich's "Reserve Association" is that it is made to appear a proper evolutionary development of the national

banking system. If it were found workable it would be a natural and consistent crown to the existing organisation of reserve banks and clearing circles. Already there is a gradation of reserve cities and central reserve cities, each with a sphere of its own. The small rural bank is allowed to keep a certain proportion of its statutory reserve in the larger banks of a neighbouring city. The latter in turn pass on a proportion of their statutory reserve to one or other of the great cities—New York, Boston, Philadelphia, Chicago, or San Francisco. The process stops there, however, and it certainly seems to break off prematurely.

What Senator Aldrich now proposes is to concentrate the reserves of the great cities in a specially constituted national pool. With becoming modesty he would also absorb into it the Treasury. Thus, on the very threshold of his enterprise, he runs his head into a hornet's nest. Neither the Senate nor the House of Representatives will be so ready, as Senator Aldrich assumes, to sacrifice the Treasury to a banking monopoly yet unborn. The national banks will be equally little attracted by the proposal to transfer their note circulation to the national superbank. The exchange bankers in New York, who are both numerous and powerful, will smile at the idea of the Reserve Association fixing the rates of exchange and discount for them.

That is a good deal more than ever the Bank of England attempts to do. It fixes a minimum rate of discount for its own customers—who are chiefly banks, discount houses, and financiers. As a rule, it has the means to make that official minimum effective, but not always. There are times when it cannot control the outside money market, and then it has simply to stand aside until its power returns. Such an artificial arrangement would not work everywhere. It may be questioned if any other institution than the Bank of England could ever have maintained it in England. Senator Aldrich himself appears to have at last discovered that it cannot be acclimatised in the United States.

The substitute he offers—his Reserves Association—would attempt not only all that the Bank of England does, but several other things which it has always fought shy of. It is long since Threadneedle Street imagined that it could move the foreign exchanges to suit itself and its customers, and not many men in New York have the moral courage to risk life and fortune in such a venture. The crucial difficulty in the working out of such a stupendous scheme is to find reliable directors and managers. It is not skill or capacity or courage that would be lacking. These, though not universal among the Americans, are in ample supply for the occasion.

The fatal difficulty would be to prevent the Reserve Association, in other words, the Central

Bank, from being utilised for private ends. With that view, Wall Street has been warned off, but mere warning will be no bar to Wall Street. Certain banking interests would also be tabooed —much to their own amusement. There might be many ways of getting into the inner circle of the Reserve Association besides entering by the front door. The men who were most vehemently tabooed might be the first to get in, and they might penetrate the farthest. The powers which Senator Aldrich proposes to confer on his inner ring of reserve banks are too large for even exceptionally honest and capable men to exercise without rigid control.

The reader will feel it a great relief to turn from the barren and interminable controversies in which American bankers seem to be always involved to the comparative calm which pervades banking circles in Canada. Accidents happen, of course, in Canada as elsewhere; bad banking comes to light now and then, and occasionally it is so bad as to bring the offender to grief. But above and beyond all these passing troubles there is, among Canadians, a strong feeling of confidence in their banking system. They have faith in the system itself, in the principles on which it is based, and in the men who direct it.

So far their faith has been substantially justified by results and by actual experience. These have been so remarkable as to attract attention and even to excite envy in other countries.

While Canada was still a poor country, her banking system was universally recognised as a valuable asset. Sceptical critics suggested that its limited resources and the small volume of its business might be the real causes of its success. "Wait," they said, "until it can be tested on a large scale, and see what happens then." In the past ten years it has undergone that larger test and come through it satisfactorily. When the call came for capital and credit to finance the westward rush of settlers it was provided promptly and liberally. The only danger was that it might become too generous. And as the eastward movement of produce expanded, it, too, was financed with seldom a hitch.

The boom of 1905 to 1909 in the North-West would soon have found out the weak joints in an unsound banking system. If Saskatchewan and Alberta had been suddenly covered with American National banks as they were with branches of old-established Canadian banks, it is awful to think what the end might have been. But the Canadian banks were equal to the occasion. They exhibited a reserve power and a capacity of expansion which added not a little to their previous reputation. At the outset they excited admiration by the energy and rapidity with which they responded to the new demands suddenly sprung on them. At the finish they were no less admirable for the self-restraint they showed and the firmness with which they checked

a great wave of speculation that might soon have passed out of control.

Of all the Canadian ideals here reviewed, none has come so near realising itself as the banking system. None is, therefore, better worth studying at the present moment. The future of the Dominion depends more on it than on almost any other Canadian institution. Parliaments may do a great deal of harm, but they can do comparatively little good. Tariffs may come and go,—they may swing from one extreme of free trade to the opposite extreme of protection,—but the banks must steer a straight course, and sail as near as possible on an even keel. A blind outcry for banking reform, such as they are always having in the United States, is presumptive proof not only that banking reform is needed, but that the whole banking system must be on wrong lines. In Canada there is never any such blind outcry. Most of the reforms demanded are only in matters of detail.

Canada has indeed been fortunate in her banking legislation. It has been eminently practical, also eminently reasonable, and always adapted to the special circumstances of the country. Theorists and faddists have had very little to do with it. Except, perhaps, in the old provincial days, there have never been rival banking schools in Canada. All parties have had a common desire to get what seemed best

for the immediate purpose. Canadian bankers have had a greater voice in making banking laws than those of any other country. They have been frankly consulted as to every change, and their practical suggestions have always been welcomed, both by the Government and the Legislature. They, on their side, have kept a sharp look-out for operating defects, and have generally got them remedied before they could do much harm.

A good understanding between the Legislature and the banks has invariably prevailed. It has made them, on the one hand, very reasonable in their claims, and it, on the other hand, ready to go as far as possible in granting them. Trade interests, too, have been at all times honestly considered. Banking facilities have been provided for every possible branch of trade, new or old, and for all classes of service, private and commercial. *Per contra*, there are few redundancies, and no out-of-date machinery in the system. Few banking laws are so frequently and carefully revised as those of the Dominion, and the revision is invariably done with a single eye to efficiency.

Scotland, which gets the credit for nearly all the good features in modern banking, is supposed to have supplied the model for the Canadian banks, but there is little warrant for that legend. It would be more correct to say that Scotland had supplied Canada with the

best of its pioneer bankers. These gentlemen took out with them, no doubt, large amounts of Scottish experience and practical wisdom, which were usefully applied to Canadian conditions. But very little was copied either from the Scottish or any other banking system. In the earliest experiments a good deal of attention was paid to English theories and methods, but when it was found that they did not suit Canadian circumstances, they were gradually dropped. The banking system as it exists to-day is to a large extent home-grown — very few banking systems more so. Through nearly a century of development it has been shaped and moulded and modified to suit the needs of its creators. That circumstance renders its history peculiarly interesting and instructive, both to bankers and to currency experts.

Banking legislation in Canada is divided into decennial periods. The last of these began in 1900, and is now drawing to a close. A new period will begin on July 1, 1911, and a revised Bank Act to regulate banking regulations for the next ten years is at present before the Dominion Parliament. The whole of the existing bank charters will have to be renewed in order to bring every bank in Canada under its provisions.

From the Bank Act of 1890 the cardinal features of the Canadian bank law can be ascertained. Thirty-four banks were originally incorporated

under it, and strange to say the number has since been reduced rather than increased. Though occasionally amended in details, it is still in its main features essentially the same. Readers desiring to become thoroughly acquainted with it may be referred to Sir Edmund Walker's 'History of Banking in Canada,' on which I have drawn freely in the present chapter.

The idea of terminable charters was probably suggested by the early history of the Bank of England, but it has had much more practical effect in Canada than in London. While renewal in the case of the Bank of England charter was never more than a matter of *quid pro quo*, it has been made in Canada an occasion for thorough scrutiny of the law, and resolute attempts to improve it. From every decennial revision it has emerged a better law than it was before. Points hitherto overlooked have been settled, and adjustments have been made to new conditions. New kinds of business have been specially provided for as they arose. The law has been in a constant state of evolution and adaptation.

The Act of Incorporation has to set forth the name of the bank, the capital stock, the place where the head office is to be, and the names of the provisional directors, who must not be less than five. The minimum amount of capital is half a million dollars, and it must be divided into hundred-dollar shares. Not less than a quarter-million dollars must be paid up and

deposited with the Minister of Finance before a meeting of subscribers can be held to definitely organise the bank. Then a certificate has to be obtained from the Treasury before it can commence business or issue notes. No step apparently can be taken without the sanction of the Treasury Board.

The provisions to regulate subscription of capital, calling it up, increasing or reducing it, transferring shares, and transmission by marriage or death, are much the same as those of ordinary joint-stock companies. It is when we come to the forms of account prescribed, the limitations imposed on dividends, and the prohibitions applied to unsound business, that the speciality of this Canadian law becomes evident. The section dealing with note circulation is of vital interest, having had much to do with the success of the Canadian banks. It opens with clause 61, which says that any properly organised bank may issue and reissue notes payable to bearer on demand. They are subject, however, to a number of restrictions which, so far, have proved efficient safeguards.

First, no bank note is to be for a smaller amount than five dollars—the Government itself providing the one, two, three, and four dollar issues.

Second, the total amount in circulation at any time is not to exceed the unimpaired paid-up capital of the bank.

Third, any bank which suspends payment of

its liabilities must cease to issue notes, and cannot resume issuing without the express authority of the Treasury Board.

Fourth, it is forbidden to banks to pledge, assign, or hypothecate their notes.

In addition to these negative and indirect safeguards, there is a positive one of still greater value—namely, the Circulation Redemption Fund. This is formed of contributions equal to 5 per cent of the average circulation of the bank during the preceding year. Adjustments take place annually, when each bank makes up any deficiency, or draws out any surplus there may be over its proper quota. When a bank is being wound up the liquidators shall, before the final distribution of the assets, pay over to the Treasury a sum equal to the amount of the outstanding notes, less the 5 per cent already held in the Circulation Redemption Fund. This relieves the bank from all further liability, the actual process of redemption having to be carried out by the Treasury. This is in accordance with American practice in like circumstances.

A large number of the most distinctive provisions of the Act are devoted to definitions of its powers and the kinds of business it may carry on. It may (1) open branches, agencies, and offices; (2) deal in gold and silver coin and bullion; (3) "deal in, discount and lend money, and make advances upon the security of, and take as collateral security for any loan made

by it, bills of exchange, promissory notes, and other negotiable securities, or the stock, bonds, and obligations of municipal and other corporations, whether secured by mortgage or otherwise, or Dominion, provincial, British, foreign, and other public securities." Under this clause a Canadian bank can lend on practically anything except real property. Even that it may take over as additional security for debts contracted in the usual course of its business, but it must not be held for more than seven years.

A proof of how anxiously all the different requirements of the commercial community are provided for in the Bank Act is afforded by the special authority given to lend on subjects which might otherwise be considered inadmissible. No English bank would be likely to lend on standing timber, but that is one of the special securities recognised in Canada. According to clause 84, "a bank may lend money upon the security of standing timber and the rights or licenses held by persons to cut or remove such timber." If there was the smallest percentage of truth in the charges and counter-charges which political candidates hurled at each other during the recent elections, timber limit banking must have been very active in the preceding five or six years.

Other advances specially authorised are on ships in course of building, warehouse receipts, and bills of lading. Those are all carefully safeguarded, however, and large powers of self-pro-

tection are conferred on the bank. It has the same rights as an individual would have in similar circumstances as regards mortgage, hypothecation, privilege, or lien. It may (clause 86) "acquire and hold any warehouse receipts or bill of lading as collateral security for the payment of any debt incurred in its favour, or as security for any liability incurred by it in favour of any person in course of its banking business." Moreover, any warehouse receipt or bill of lading so acquired shall vest in the bank from the date of acquisition.

That goes farther, I believe, than our own law on the point and gives the bank larger rights, thereby improving its security and giving facilities for an important class of banking business. It is under the warehouse receipts and bills of lading clause that the immense grain movement from the west is financed. Thanks to the strong legal position given them, they constitute one of the safest banking securities available. Nor is it agriculture alone, or lumber, that Canadian banks are expected to foster and promote. Every branch of trade and industry is commended to their care in the Bank Act of 1890. And when we remember how completely all commercial interests are ignored in our own lawyer-made bank laws, such business-like provisions may well excite our envy.

An important clause (88) applies to wholesale shipping and mercantile advances. It says:

"The bank may lend money to any wholesale purchaser or shipper of, or dealer in, products of agriculture, the forest, quarry, and mine, or the sea, lakes, and rivers, or to any wholesale shipper of, or dealer in, live stock or dead stock and the products thereof, upon the security of such products or of such live stock or dead stock and the products thereof." The same clause adds that loans may be made "to any person engaged in business as a wholesale manufacturer of any goods, wares, and merchandise, upon the security of such goods, wares, and merchandise." One of the schedules of the Act provides a special form of lien for such advances, and the Act puts it on the same footing as a warehouse receipt.

In fact the warehouse receipt form of bond is extended to nearly all kinds of commercial subjects. It would be hard to say what a Canadian could not borrow upon from his banker. The lending powers enumerated in the Bank Act are exhaustive. It is in various ways a great advantage to the banks to have them so explicitly enumerated as they are in the Act. In the first place, it gives bankers a clear idea of their legal powers and rights. They need hardly ever be for a moment in doubt as to where the line should be drawn. In the second place, it has a splendid educative influence on the younger officials. It sets something definite before them to learn, and if they are not absolutely stupid or lazy, they can soon master it. But they are

never done learning, for the Act is always being amended and improved.

That was, in fact, the object of limiting bank charters to ten years. The founders of the Canadian banking system felt that the commercial and industrial conditions under which it had to be carried on were in such a state of evolution that frequent re-adaptations to their growing needs would be necessary. It was, therefore, wisely resolved to have them brought under reconsideration at reasonably short intervals, and ten years was fixed upon as a term convenient for all interests. It should be understood that these arrangements were made in friendly consultation between the Government and the banks. The Government on one side stated the safeguards and guarantees which it deemed essential to the public safety, while the banks on the other side objected to whatever they considered needless or unworkable restrictions. As the results of these amicable negotiations a compromise measure was framed and submitted to the Dominion Parliament, which generally passed it with very little alteration.

Three or four of these decennial revisions have taken place, each of them tending to strengthen the official supervision exercised over the banks. It might have been thought that after such a long course of improvement the Canadian banking law had almost reached perfection, but even yet weak points have been found in it, or at least

what the Government consider weak points. Every bank that fails or suspends is treated as an object-lesson. Any peculiarity in the causes of failure, or in the methods of the insolvent bank, is carefully discussed, and, if possible, a remedy is provided for it.

Unfortunately there have been during the past decade some nasty casualties among the younger and less solid banks of the Dominion. When an official investigation took place it was found that there had been bad book-keeping as well as bad banking. In one case the bulk of the bank's resources—capital as well as deposits—had been locked up in a silver mine in an outlying part of the Cobalt district. This fatal mistake was only discovered by the shareholders of the bank after it had closed its doors. An important clause in the new Bill aims at preventing a recurrence of that danger. It gives shareholders the right to call for a special audit of the books and securities by independent auditors beyond the control of the directors.

This is perhaps the most notable amendment on the list. If Canadian banking has any weak points, one of them undoubtedly is the lack of independent audit. The national banks of the United States are all audited at irregular intervals by a Treasury official. He is given a very free hand, and is armed with large powers of control. These go so far that he may suspend any bank which is not complying with the law.

Moreover, they are frequently exercised. A great deal of bad banking escapes the notice of these official inspectors, but every now and then they make startling discoveries, as in the recent Carnegie Trust case.

Canada has no officials corresponding to the National Bank inspectors of the United States, and it does not want them. At the same time, the need of independent inspection is admitted. It could hardly be denied in the face of scandals like that of the Farmers' Bank, which came to grief last December. This was a flagrant specimen of the mushroom banking against which the Canadians have to be on their guard. A liberal and elastic banking law like theirs cannot fail to be frequently abused, but they may justly claim that none of these abuses has been allowed to go far or to entail very heavy losses on their unfortunate victims.

The Farmers' Bank of Canada was little more than four years old when it closed its doors. It was organised in November 1906, with a nominal capital of half a million dollars. The stock was peddled out to farmers and country cousins, who were told that by becoming their own bankers they would free themselves from the yoke of the large banks, which were controlled by capitalists. The first issue of stock was given to them at $100, but for the second they had to pay $125, and they must have swallowed the bait pretty freely, for soon after it started the bank

was able to raise its nominal capital to a million dollars.

Still more significant of the glamour which anything calling itself a people's bank can exercise on a certain class of the public was the fact that in less than four years this concern raked in fully a million and a half dollars of deposits, including $45,000 from the Provincial Government of Ontario. It spread its net far and wide for unwary depositors, having during its short career opened thirty-one branches. Any one who took the trouble to compare the amount of its deposits with the number of its branches must have seen that the deposits did not average $40,000 per branch, consequently most of the branches must have been losing money.

Nevertheless, this manifestly rotten concern lasted four years, and might have gone on much longer if the directors had not in a moment of madness prosecuted certain officials who had seceded to a rival bank. Damaging disclosures were made in course of the trial, on which the judge commented severely. The depositors took alarm and started a run, which very soon exhausted the slender balance in the till. The finale was short and decisive, proving that if the Canadian bank law cannot stop mushrooms springing up it makes short work of them as soon as they are found out. On December 19 the Farmers' Bank could not meet a small balance of $20,000 there was against it on the Toronto Clearing-house. The Chairman

of the Clearing-house notified the Chairman of the Toronto District of the Canadian Bankers' Association, who in turn notified the President of the Association, by whom a curator was put in temporary charge of the failed bank. Thus the safety of the assets and the interests of the depositors were promptly protected when the smash came, but the public naturally ask if something could not have been done to pull up a notoriously suspected bank before it had done so much mischief. That is a practical question which will have to be dealt with in the new Banking Bill.

It contains provisions borrowed from the latest English joint-stock law to enable shareholders to institute inquiries on their own account when they see fit. At a general meeting they can appoint auditors to make a special audit and report directly to themselves. At any time individual shareholders, representing not less than five per cent of the total capital of the bank, may claim a special audit. To these special auditors very large powers are given. They are to have full access to the books of the bank, the right to inspect them and to compel the production of all necessary information. Their report, when made, has to be included in the next annual report of the directors, so that it cannot be burked or side-tracked.

The special audit at request of the shareholders is evidently a compromise between the present system of internal inspection and the United

States system of Government inspection. The latter has not many advocates in Canada, and it would certainly be an extreme step to take all at once. In course of time some combination of internal and external inspection may suggest itself. Taken singly they have obvious defects, but it is difficult to see how they are to be combined without hampering the operations of the banks and weakening the responsibility of the directors. The latter point, however, is not being neglected. One of the most drastic clauses in the new Bill relates to the publication of accounts. If passed, it will render every president, vice-president, director, general manager, and principal official of a bank liable for the accuracy of all the published returns, reports, or other documents to which his signature may be attached.

Subjoined is the full text of this formidable clause, which is certain to encounter no small amount of opposition in Committee:—

(*a*) Every president, vice-president, director, general manager, or principal officer next in authority to the general manager in the management of the affairs of the bank, inspector, chief accountant or officers performing the duties of chief accountant, and every auditor of the bank who prepares, signs, approves, or concurs in any account, statement, return, report, or document respecting the affairs of the bank, without due inquiry, and unless he has first obtained information reasonably adequate and sufficient to

establish and verily believes that the account, statement, return, report, or document is in every respect true and correct, and that all the facts stated therein are truly stated: or who uses, with intent to deceive or mislead any person, any account, statement, return, report, or document respecting the affairs of the bank; and

(*b*) Every manager or other officer of the bank who prepares, signs, approves, or concurs in any account, statement, return, report, or document respecting the affairs of the bank; or who uses, with intent to deceive or mislead any person, any such account, statement, return, report, or documents, shall, if the account, statement, return, report, or document in fact contain any false or deceptive statement, be held to have wilfully made such false or deceptive statement, and shall further be responsible for all damages sustained by any person in consequence thereof, even although the signature, approval, or concurrence of such president, vice-president, director, general manager, principal officer, inspector, chief accountant, or officer performing the duties of chief accountant, auditor, manager, or other officer appears or is stated or intended to operate or express consent, approval, or concurrence merely according to the best of his knowledge and belief or other qualification to the like effect.

The above clause is admitted by its authors and supporters to be hard on directors, but it is

justified on the ground of its being a mere adaptation of English law. In principle it may be, but the principle of the thing is not the difficulty. For that matter, directors and managers of joint-stock companies are answerable at common law for any injury they may cause by publishing false or misleading accounts. But the question what are false and misleading accounts must be left to the courts, which are generally indulgent in their interpretations. Here, however, a doubtful attempt is made to tie them down by strict definitions of what are to be considered false returns.

The director or official has, in the first place, to exercise due inquiry, which may mean anything or nothing. Next, he has to obtain "information reasonably adequate and sufficient" to establish the accuracy of the document signed. What is reasonably adequate and sufficient will depend on the man himself. An expert accountant may find out in half an hour enough to warrant him in risking his signature, while a director of ordinary business experience might have to spend days on the job. Nevertheless, the plain business man might be a much more valuable director than the expert accountant. The truth is that no law can establish beforehand any general test of an honest signature to a banking document. In the long-run, that has to be left to the courts, and each case has to be decided on its own special merits and circumstances.

It is the shareholders and customers of the banks who should be the real checks on bad management. They should not give their trust lightly, but, having given it, they should not take it away again by meddlesome and worrying restrictions. A man is either a good banker or he is not. If he is the right sort he is none the better for being shackled. If he is the wrong sort he should be kept out of the banking business altogether. Let him go into politics or land booming.

[The substance of the above chapter appeared in the 'Bankers Magazine' for February 1911.]

CHAPTER XX.

TARIFF COMPLICATIONS.

EVERY country of any consequence in the world has at least three fundamental problems to grapple with. They fix the limits of its national strength, and in that way determine the broad lines of the policy it must pursue in given circumstances. Politicians flatter themselves that they frame policies, and that nature kindly lives up to them. Much more frequently nature shapes the policy and leaves them to do the talking.

The first of these fundamental problems is the land, the second is national defence, and the third is foreign trade. With the land properly managed and cultivated, there should be an ample food-supply for a large proportion of the people: in agricultural communities for the whole and in industrial communities for at least one half. The primary object of foreign trade is to make good the shortage in the home supply of food. Beyond that it may produce an indefinite amount of secondary wealth, whose varia-

tions will have little effect on the wellbeing and efficiency of the people. The problem of national defence will obviously depend on the other two, which determine what there is to defend.

If our economic discussions were more practical and less political, they would begin with an endeavour to ascertain the vital conditions of national policy. These, of course, vary widely among different nations. The land problem in England or Ireland is exactly the reverse of what it is in Canada or Australia. The fiscal problem in a large exporting country must necessarily differ from that of a large importing country. Whatever the land and the fiscal problems may be, they must have a powerful determining influence on the problem of national defence. The pivot of the whole is fiscal policy. If good use has been made of the natural resources of a country and of its opportunities for foreign trade, a much stronger fiscal policy will be possible than in a country whose natural resources and commercial opportunities have been neglected or misused.

But in every case fiscal policy will have to be adapted to natural conditions. Where internal revenues are large, comparatively low taxes on foreign trade may suffice. Where internal revenues are small, more will have to be levied on imported goods. The Dominion Government might, by more prudent administration of its public lands, have kept both internal and external taxation down to a very

moderate level. That opportunity, however, has been practically lost, and the outlook for the future is that increasing demands will have to be made on customs duties. The excise receipts are insignificant, and might be difficult to enlarge, while any attempt on the part of the Dominion Parliament to impose direct taxes might be challenged by the Provinces. An ominous campaign on behalf of provincial rights is already making rapid headway, and the slightest assertion of the right of the Dominion Government to encroach on the provincial sphere of taxation might kindle a fire which it would be difficult to put out.

All Federal Governments — Germany, the United States, and Australia, no less than Canada — are finding it hard to draw the line between their own fiscal jurisdiction and that of the States or Provinces. Roughly speaking, the Federal Government collects the external taxes and leaves internal taxes, as far as possible, to the State or Provincial authorities. This is the position at present in Canada. Fully half of the Dominion revenue is derived from customs duties, which have many advantages, from a fiscal point of view, and one important disadvantage. Their yield is necessarily limited by the volume of imports, which in its turn is subject to all the changes and chances of foreign trade.

Tariffs, commercial treaties, and preferential arrangements are all creatures of circumstances. Nevertheless, they are usually discussed in an

abstract philosophical vein, leaving the circumstances and local peculiarities out of account. Hence the fact that they seldom turn out in practice as they were planned on paper. Unexpected difficulties arise in carrying them through. Intended applications of them prove impracticable. Concessions granted to one party for special reasons are liable to be claimed by other parties, and either to have to be granted without cause or to be refused at the risk of retaliation. Provisions intended to operate in one direction may perversely work contrariwise.

There is, in short, nothing so erratic in its action as a new tariff, unless it be a new constitution or a popular Parliament. Besides being subject to natural restrictions and limitations, it is liable to all the accidents of domestic politics and foreign policy. The diplomatic experts who live by cobbling commercial treaties are never idle. All the time there is some patching to do or some cards to reshuffle. And, most of the time, the game is not worth the candle. Richard Cobden's chief sin was not his rushing the British Parliament into free trade. He added to that the much more heinous offence of inventing the modern commercial treaty, which, with its "most favoured nation clause" and its three-storey tariffs — maximum, intermediate, and minimum schedules—is an endless game of diplomatic juggling.

Though Canada has been engaged in this tariff

conjuring game for a comparatively short time, she is already one of its most active and expert players, as witness the Taft-Fielding treaty, her latest surprise for the arm-chair philosophers of the old country. Preference, reciprocity, rebates, anti-dumping duties, and all the latest fashions in commercial diplomacy she has at her finger-ends. With equal skill she practises them on free-trade Governments like our own, on semi-protectionist Governments like that of Germany, and on full-blown protectionists like the Americans. So far she has had wonderful luck, and her Ministers have succeeded where Imperial statesmen have failed, or rather where they have disdained to try. The secret of her success is very simple. It lies in the fact that, many years ago, the Canadian tariff was taken out of politics by Sir John A. Macdonald. He substituted for the theoretical free trade, which was slowly starving Canada, a National policy, which restored her to health and prosperity.

When the Liberals returned to power in 1896, the National policy was too firmly rooted to be displaced. Sir Wilfrid Laurier, convinced free trader though he was, did not venture to set back the hands of the clock. He took the Macdonald policy as he found it, and, with some minor alterations, to quiet the free trade consciences of his party, he continued it. Thus, for another fifteen years, the tariff was kept out of politics, and the National policy went on its

way prospering. But now it finds itself caught between two fires, one from the North-West and the other from the United States.

The revolt of the prairie farmers, which broke out at the end of 1910 and distinguished itself by descending on Ottawa with an army of delegates, seven hundred strong, was wrongly described as a free trade uprising. It had many other things than free trade inscribed on its multifarious banners. Its programme began with terminal elevators to be provided by the Government. The second item was the establishment of a chilled meat industry also with State help. The next was the Hudson's Bay Railway to be built and operated by the Government without financial middle-men of any sort. From this the seven hundred delegates proceeded to suggest further banking facilities that were desirable. And only when all these local questions had been set forth did they come to the tariff and reciprocity.

Without disputing for a moment that these are two very live issues in the Prairie West, it would be taking an absurdly narrow and superficial view of a great movement to assume that they are its sole or even its chief motives. Though many free traders both in England and Canada have made that mistake, Sir Wilfrid Laurier was much too shrewd for it. In his reply to the string of memorials read out to him by the spokesmen of the delegation, he was not particularly happy. No Minister could have been happy in such a

predicament. But he showed a statesmanlike instinct in frankly recognising the magnitude and gravity of the demonstration. He saw that it was far more than a free trade campaign—though free trade missionaries from England and Ontario had had a considerable hand in organising it.

Sir Wilfrid Laurier realised that he was in the presence of a great uprising of the Prairie West against the Industrial East — of the farmers against the manufacturers, of the new Americanised Canada against the old British Canada. He began his reply to the delegates with a tribute to "the spirit of the West" which dominated it.

> You will perhaps permit me to observe [he said] that though the delegation represents the agricultural interests of the whole of Canada, it is the Western spirit which pervades it.

Afterwards he showed what he meant by this new factor in Canadian life — the Western spirit.

> You are in favour, as I understand, of Government ownership and operation of all public utilities—of the railways, of the abattoirs, of the elevators. As to this I have nothing to say at present. The idea may perhaps be a good one, but up to this time I have not been an absolutely ardent supporter of Government ownership. I may be persuaded to it; to Government operation I may be persuaded also, but with greater difficulty. In this I am a man of the East.

Those who persist in seeing in the descent of the seven hundred farmers on Ottawa nothing but a free trade demonstration will observe that Sir Wilfrid Laurier did not agree with them. He took quite another line in his reply to the various memorials submitted. He at once put his finger on State ownership as the ultimate end and object of the crusade. Time, I believe, will prove him to have been right in his forecast. He also pointed out to the delegates that from the prominence they had given to State elevators and abattoirs he would be entitled to infer that they considered these the most important subjects in their programme. As to these he expressed general sympathy, though he was not then prepared to give a final answer.

To confess the truth, Sir Wilfrid fought shy of the tariff question, and he had a good excuse, of which he fully availed himself, for not touching on reciprocity. He put it to the seven hundred delegates that, "as practical legislators, it would be hardly advisable for the Parliament of Canada to undertake this session to revise the tariff while negotiations are pending with our neighbours." These negotiations have come to a head sooner than he expected, and they are causing a greater stir in the world than he bargained for. The outburst of spread-eagleism which the Taft-Fielding convention has provoked in the United States Congress is disconcerting alike to the President and to the Canadian Premier. The latter will probably be thankful for the counter-

burst of Canadian loyalty, which promises to deliver him from an awkward predicament.

Canadian reciprocity is sharing the evil fate of many other important issues that have had to be decided in Washington; it has been caught up in the whirlwind of Irish-American politics. What may happen to it now is beyond the wit of man to foresee. A host of new and unknown factors have suddenly rushed into the arena. Annexation, reciprocity, home rule, imperial federation, are all tumbling over each other like wicked imps and mocking the British, American, Canadian politicians, who have lost all control over them. The relations of three great countries have been revolutionised in the past few months. Burning questions of world-wide interest have pushed aside abstract theories of free trade and academic ideals of Anglo-Saxon fraternity.

Most countries have passed the primitive self-contained stage in which tariffs can be kept out of politics. There is an increasing tendency for them to become more political than commercial. Few tariffs can now be regulated by purely fiscal or commercial considerations. Canada is having these facts brought very strongly home to her at the present time. Of all Canadians Sir Wilfrid Laurier is most keenly conscious of them. They tied his tongue at his recent conference with the Western farmers. It is a very mixed, very complex, and very changeable problem that the foreign trade of the Dominion presents to him, and his

statesmanship will be severely taxed in dealing with it. Reciprocity will be a particularly sharp thorn in his side until the rival claims of the Empire and the United States can be reconciled.

Everywhere commercial diplomacy is becoming badly mixed, and is landing itself in strange dilemmas. Every commercial treaty negotiated raises a fresh crop of international jealousies and controversies. If nations could frame tariffs to suit their own fiscal and economic requirements, and could then stick to them, they would have a definite policy which could be tested by its practical results. But when they have to haggle over every import duty with various sets of party politicians, next to bargain with a number of foreign Governments about its application, and lastly to keep a sharp look-out for retaliatory measures from dissatisfied rivals, such a tariff never has a chance to work well.

All the principal Governments in the world are more or less in the toils of this tariff-mongering black art. Even those who try to keep out of it by having as few customs duties as possible do not escape the inevitable penalty. They are generally the greatest sufferers who are the worst equipped for such a struggle. In this matter Canada and the Mother Country are at opposite extremes, one having virtually no fiscal weapons at all, while the other is overloading herself with them. Not only so, but the fiscal and economic conditions to which they have to adapt their respective tariffs are exactly reversed. Great

Britain is a large exporter of capital and a large importer of food and raw materials. Canada, on the other hand, is a large importer of capital and a large exporter of food and raw materials.

What Canada needs from us is cheap capital, and she gets it in abundance. What we need from Canada is cheap food and raw materials. It is on the money she borrows that we can and do give her an effective preference,—a far more valuable preference than anything we could give her on her grain and provisions. But the tariff question has been allowed to overshadow and obscure the more important financial question. By financing Canadian enterprises at exceptionally low rates we repay ten times over the 33 per cent (nominal) preference allowed us on our exports to Canada.

The whole subject bristles with complications and anomalies—not fiscal only, but financial, commercial, and political. Tariff preferences are a very exaggerated and over-rated factor in it compared with others which are hardly ever mentioned. The maximum amount of rebates which British manufacturers can hope to obtain on their exports to Canada is three million dollars, or £600,000 a-year. Against that has to be set capital loaned to the amount of £300,000,000, the value of which to Canada cannot be estimated in mere money's worth. It has not only yielded immense profits to the borrowers, but it has helped to make the country.

Without that £300,000,000 of British capital

there could have been no Empire building in the North-West. Without it there could have been no fertilising stream of imports and immigrants. Without it there could have been no trans-continental railways, no thousands of homesteads planted on the boundless prairie, no millions of bushels of grain raised and exported. Without it the foreign trade of the Dominion could not have more than doubled itself in a single decade. Without it the public revenues of the Dominion could not in the same decade have been nearly trebled. Without that immense increase of income the extra millions which have been applied to the development of the country could not have been forthcoming.

This chain of financing with borrowed money has produced the Canadian budget and the Canadian tariff of the present day. Its influence is traceable alike in the domestic and the foreign trade of the Dominion. It has done much more for them both than all the parliamentary scheming and manœuvring of the decade. Duties on imports are, and must always be, the backbone of Canadian budgets, which in their turn must determine the limits of Canadian tariffs. It depends on them and on the work they have to do what sort of commercial treaties Canada may enter into, and what amount of effective preference it may give to sister members of the British Empire.

Tariffs, tariff conventions, and preferences should be all matters of business rather than of

politics. If the politicians would leave them alone a practical adjustment of them might be sooner arrived at. But that, we fear, is now in vain. All the tendencies of the age point in the opposite direction. There are normal limits to the commercial concessions which one country can afford to make to another. In the case of Canada these are—(1) the fiscal necessities of the Dominion Government; (2) the proportion of such necessities which has to be provided by taxes on imports; (3) the volume of the imports; (4) their value and the amount of taxation they may be able to bear. As to the first condition, the Canadian budget has now reached the respectable level of a hundred million dollars a-year, and this with a mere beginning made in the way of national defence. As to the second, fully one-half of the hundred millions has to be obtained from customs duties. As to the third and fourth, the Canadian imports have only twice exceeded 300 million dollars a-year —namely, in 1908 and 1909. Their high-water mark was 370 million dollars in 1908.

A fair estimate for a series of normal years will be 300 million dollars. For tariff purposes that must be cut down by fully a third for imports on the free list. The analysed details are not yet available for 1910, but for the year ended on the 31st March 1909 the relative proportions were 113 million dollars free and 175 millions dutiable. It may be assumed that the imports

on the free list consisted mainly of food, raw materials, and commodities, which there was good reason for admitting free. That list would of course be greatly extended if reciprocity conventions were to become general. It is hardly likely ever to be curtailed.

What the Canadians have to work with as tariff-mongers is 170 to 180 million dollars of dutiable imports. On these they must, in order to meet the current expenses of the Dominion Government, raise 50 million dollars a-year. When they launch seriously into Dreadnought building they will have to increase that by at least another 10 million dollars a-year. They may not be able to draw the line even there. If they follow the example of the Mother Country and aspire to a strong army as well as a strong navy, they may find that they have to increase their customs revenue to 70 or 80 million dollars a-year. When the strain on customs duties became too severe a certain amount of relief might be obtained by levelling up excise duties, but these average barely one-fourth of the customs.

The latter are the backbone of Dominion finance, as well as the foundation of its fiscal policy. Whatever tariff concessions may be made to other nations, whatever preferential privileges may be granted, must all come out of the customs revenue. They must bear a fair proportion to that revenue. And after the

Dominion Government has provided out of the 50 million dollars for its own obligations there cannot anyhow be very much left for fiscal concessions and preferences. In the shuffling of tariffs swans not unfrequently turn out to be geese. There is no more brazen impostor than the "most favoured nation clause" of a Cobdenite commercial treaty.

CHAPTER XXI.

THE OLD PREFERENCE AND THE NEW.

THERE is nothing new under the sun, not even in Canada. Sir Wilfrid Laurier's fiscal preference is a partial return to the old colonial policy, on which the British Empire was governed for several generations previous to the advent of the Manchester school. It was the Mother Country which originated fiscal preference. She granted it freely and generously to her colonies when her assistance was indispensable to them. It was a great blow to them when the Cobdenised House of Commons withdrew it without warning or compensation. The widespread ruin and destitution which it caused were some excuse for the years of disaffection that ensued. If the Stamp Tax was a substantial grievance to the American colonies, the Canadians had much stronger ground of complaint in the sudden destruction of their shipping trade by the repeal of the Navigation Laws. Even so sound a Whig as Lord Elgin, who was Governor of Ontario in 1850, candidly admitted that much. He arrived in Canada while the

effects of the change were still being acutely felt, and Mr Strong, his biographer, gives a vivid description of the impression they made upon him.

Resolute as was Lord Elgin against the annexation of Canada to the United States, yet he had a haunting fear that this would some day come about. The best way to prevent it, he thought, was to ease Canada's commercial situation. He saw how severe was the treatment she had just received from the Mother Country. Before England adopted free trade, Canada enjoyed extensive favours in the British markets. Timber, one of her great products, was charged only a fraction of the duty paid by foreign countries, and the other staple product, corn, was singled out for peculiar consideration. In 1843 Lord Stanley passed the Canadian Corn Act, under which wheat and flour from Canada paid in duty only about one-fifth of what these articles paid when imported from other countries. With this advantage Canada began to build up a great corn trade. Since even American wheat, if ground in Canada, secured the privilege, much wheat began to cross the border line. To develop the trade Canadians embarked upon the construction of extensive flour-mills, and upon the improvement of canals and warehouses, and in these enterprises they employed the available capital of the country. But no sooner had they begun than a few years after it was granted, the preference of 1843 was taken away by the repeal of the Corn Laws. The consequence was something like ruin to Canada. Its capital was tied up in fruitless enterprises. In the British market the Americans were now on the same footing as the Canadians, and, with superior facilities, they secured the bulk of the trade which Canada had hoped to enjoy. At the same time, the old navigation laws still in force secured for British ships as against foreigners a mono-

poly of the colonial carrying trade. In this, indeed, was a compensating advantage, for since Canadian ships ranked as British, they enjoyed privileges chiefly in connection with the West Indian trade. But, on the other hand, Canada's freedom of intercourse with foreign countries was restricted, and, with accumulated hardships, there is little wonder that, in 1849, Canada's commercial life was paralysed. Real estate proved unsaleable ; her rivers and canals lay unused, and signs of decay were everywhere. With three-fourths of her merchants ruined, money was so scarce that even the Governor-General's salary was paid in debentures. It is hardly surprising that even sober business men cried out for union with the United States. The older British Empire had been held together in large degree by community of trade interests, and now free trade had profoundly altered the whole colonial problem. Lord Elgin had to ask himself if the Mother Country could retain the colonies without the special trade privileges they had long enjoyed, and which the old balance of restriction and privilege had involved.[1]

But preference of any kind was intolerable in the eyes of the anti-colonial school. They objected to it on political, and still more on economic, grounds. The differential duty granted to the Colonies had, they argued—

The effect of making the consumer, say, of colonial sugar pay to the favoured colonists a sum equal to the difference between the duty on colonial sugar and the higher duty on other sugar. The Mother Country, which imposes this additional duty to protect her colonial subjects, not only gets no revenue by such

[1] The Earl of Elgin. By George M. Strong.

ill-timed partiality, but she loses the increased revenue that she might have if she would allow her own people to buy sugar on the same terms as the sugar of the colonies.

This economic or commercial argument was greatly strengthened by attacks on imperial expenditure in the Colonies. These were made all round, and frequently in such a reckless way as to produce startling results. One of the many returns which were moved for in 1844 showed that in the four years from 1839 to 1843 inclusive, the military and naval charges on account of Canada exceeded five and a half millions sterling. This was fine ammunition for the anti-colonials. They reckoned that the cost of colonial establishments falling on the Imperial Exchequer was more than three millions sterling annually. In their opinion that was so much dead loss to the Mother Country, besides which it entailed loss on the colonies themselves. "The colonial revenues," it was said, "are expended in maintaining establishments which are often not only expensive, but sometimes nearly useless. The charges of collecting colonial revenues are frequently greater than the amounts collected."

Thus the colonies suffered a double wrong at the hands of the anti-colonial party. They were deprived, almost at a stroke, of their commercial privileges, while their military expenditure, which was still of great consequence to them, was gradu-

ally curtailed. Sheer distress very nearly provoked as bad a rising as that of 1837. Fiscal preference was laid on the shelf, and for half a century it was practically forgotten. After sixty years it was revived by the people who had been its chief opponents when originally proposed. The political party in Canada who were nearest akin to the destroyers of fiscal preference at Westminster revived it for their own use and made a new gospel of it.

Sir Wilfrid Laurier, throwing Cobdenism to the winds, resurrected in 1896 one of the most characteristic features of British protection. But his English friends and fellow Liberals would not sacrifice a hair's-breadth of their consistency. The situation to-day is the exact reverse of that of 1850. The Canadians, who were then the victims of the Cobden party, are now a thorn in its side. They annoy it with offers of preference which it cannot accept, and tantalise it with evidences of prosperity achieved by what it considers illegitimate, if not unholy means. The new preference is a rather milk-and-water edition of the original.

The 33 per cent preference which the Canadians are voluntarily giving to the rest of the Empire is undoubtedly generous in the circumstances, and was meant to be so. It is, however, subject to qualifications which considerably modify its practical outcome. First, an important group of articles

are excluded from it—namely, wines, malt liquors, spirits, spirituous liquors, liquid medicines, and articles containing alcohol, tobacco, cigars, and cigarettes. Next its action is limited in other cases by fixing minimum duties which may be 5, 10, or 15 per cent above the preference level.

As regards woollen goods the effect of these exceptions is to virtually neutralise the preference. The regular duty on them is 35 per cent, and the minimum preferential duty is 30 per cent. Twine (manufactured) and cordage of all kinds are subject to a regular duty of 30 per cent, and the preferential duty on them would be nil, but they are put on a special 20 per cent list. China and porcelain ware—regular duty 30 per cent, minimum duty under the preferential scale 15 per cent. In this case the preference is cut down fully one half. Minor restrictions and exceptions of various kinds tend to diminish further the practical value of the boon which the Canadians have been so chivalrously bestowing on us all these years.

They now appear, however, to be getting tired of the "bolting, barring, and banging" response which our Cobdenised cabinet make to them. Ominous hints are being thrown out that Canadian patience may come to an end. But so long as the Canadians have loans to float that will not be an immediate danger. If the financial preference

they have enjoyed be set against the fiscal preference they have given us it will be evident that the advantage has been on their side. The fair way to measure the value of their fiscal preference is to compare the percentage of duty levied on British imports as a whole with the average percentage levied on foreign imports, especially on those of the United States. The 'Canadian Year Book' for 1909—an official publication—furnishes all the data requisite for such a comparison. According to it the average duty on the imports from all countries into Canada in 1909 was 16.586 per cent, while on the total imports from the United States it was 13.247 per cent, and on the total imports from Great Britain 19.028 per cent.

The British average was thus nearly 15 per cent higher than that of all countries combined, and half as much again as that of the United States. This is not offered, however, as a strictly accurate test. The United States average was no doubt lowered by large quantities of goods on the Free List. By confining the comparison to dutiable goods that objection is removed, and the precise value of the preferential rebate can be ascertained. The respective averages in this case were as under :—

	Average Percentage on Dutiable Imports.
From Great Britain	25.755
„ the United States . . .	24.868
„ all countries	26.339

Here we find the United States in the most favoured position, and Great Britain, notwithstanding its 33 per cent rebate, only in the second place. But both are substantially better off than all other countries. Another test which may be usefully applied to these official averages is to compare them with those of the pre-preference period. In 1897, the year before the 33 per cent rebate came into operation, the average percentage of duty levied on all British imports into Canada was 21.106, and on dutiable goods only it was 30.603. In 1909 these averages had, as we have seen, declined to 19.038 and 25.755 respectively.

The rebate therefore effected a substantial improvement on the "national industry" tariff of Sir Wilfrid Laurier's immediate predecessors. But it did not by any means put us in the best position we had ever held in Canadian markets. It simply restored us to something like the old footing of a quarter of a century ago. In the quinquennium 1881-85, the average duty on all imports from Great Britain was about 19 per cent, and on dutiable imports only it varied from 24.148 to 24.810—almost exactly the same as the average of 1909. The best time, however, that British manufacturers ever enjoyed in Canada was in the first ten years of the Confederation. The average customs duty of those days on British imports never reached 20 per cent either for the whole or for the dutiable class only. In

1873 it was as low as 10.872 per cent for dutiable imports only, and 15.583 per cent for free and dutiable combined. Candour compels us to admit that these were bad times for Canada.

A less satisfactory feature of the 33 per cent rebate is that it has not enabled Great Britain to hold its commercial position in Canada as against the United States. On the contrary, during the twelve years of its operation British imports have declined in comparison with the whole, while United States imports have advanced. The percentages in the two years 1897 and 1909 were :—

PROPORTIONS OF BRITISH AND UNITED STATES IMPORTS TO THE WHOLE.

	1897.	1909.
Dutiable goods—		
Great Britain . . .	30.53	29.84
United States . . .	46.03	51.76
Free List—		
Great Britain . . .	22.73	16.31
United States . . .	65.69	70.28

During the twelve years 1897-1909 the Americans considerably improved their relative position in Canadian markets both as regards free and dutiable imports. Their gain in each case was nearly 6 per cent. On the other hand, the relative position of the British exporter was a trifle worse as regards dutiable imports and much worse in respect of free goods. These declined by nearly 7 per cent of the total imports. Possibly

without the rebate there might have been a similar decline in the dutiable imports which would have reduced our Canadian trade to a rather sorry plight. Before the Taft-Fielding treaty was sprung on us we were being outdistanced in Canadian markets by our American rivals, and this treaty is a further handicap for us. It reverses the reciprocity principle for which tariff reformers have fought in vain. What was intended for our special benefit is being turned against us.

It is a new kind of reciprocity with which we have now to deal—an American instead of a British brand. Regardless of our philosophical scruples this new reciprocity is destined to become a serious disturber of international trade. It will stimulate all wideawake countries, and especially those of the new world, to follow the brilliant example which the business diplomatists of Ottawa and Washington have set them.

Already our Oversea Dominions are catching the reciprocity fever badly, and the Colonial Office is in an awkward quandary in consequence. It is in the painful position of the maternal hen whose chicks are going off on their own account. They frighten her by their reckless disregard of the orthodox principles on which they were brought up, and without which she is sure they can never come to any good. Canada is the biggest and most unruly of these emancipated chickens. She laughs at the maternal scruples, and dares to

make free with the sacred principles of free trade as understood three-quarters of a century ago. Worst of all, she seems to thrive on her perverse and heterodox innovations, and is daily increasing her large stake in them.

On the fiscal policy of the Dominion and the various questions arising out of it, the amount now involved is, roughly speaking, six hundred million dollars a-year (£120,000,000). That is the existing aggregate of its imports and exports, but in dealing with the future a liberal allowance should be added for the normal rate of increase. In the past decade the total volume of Canada's foreign trade has nearly doubled itself. In 1898 it stood at $304,475,000, and in the fiscal year ended 31st March 1909 it was $571,268,000. The past year, however, has put it considerably over the six hundred million dollar line. The exports advanced from $164,152,000 in 1898 to $261,512,000 in 1909 —a gain of $97,360,000, or at the rate of 60 per cent. During the same period the imports rose from $140,323,000 to $309,756,000 — a gain of $169,433,000, or at the rate of 120 per cent.

It is worth noticing how much more rapid the progress of the imports has been than that of the exports. This clearly indicates the economic stage of evolution through which the country is passing. It is in the full bloom of agricultural and industrial development, but the

greater part of the wherewithal is coming from outside. Foreign capital and labour are flowing in much faster than their produce is flowing out. By degrees the latter will increase, while the former may slacken off, and thus a normal equilibrium may be established between them. But at present the trade movement is very lop-sided, and may continue so for years to come. This circumstance is to be taken into account in estimating the ultimate value of Canada's foreign trade as well as of the fiscal concessions she may be able to offer to other nations.

The next crucial fact to be considered in connection with Canada's fiscal policy is that fully ninety per cent of her foreign trade is in the hands of two principal customers—the British Empire and the United States. Of her $261,512,000 of exports in 1908-9 the British Empire took $147,298,000 and the United States $72,604,000. These two amounts make a total of $239,902,000, and leave only a bagatelle of $21,610,000 for all other countries put together. Thus it is with British and American markets that Canada has chiefly to deal, and British and American interests that she has mainly to consider. No other customer she has, with the exception, perhaps, of France, is worth mentioning beside these two. In 1908-9 her exports to France were valued at $3,176,000 and her imports of French goods at $8,029,000—total, $11,205,000. This is less than a twentieth of

the British aggregate and only about a fourteenth of the American.

After all the noise that was made about the fiscal war with Germany, it is rather surprising to find that the total volume of German-Canadian trade is only seven and a half million dollars, or a million and a half sterling per annum. In 1908-9 its exact aggregate was $7,478,000. Belgium was a poor fifth, with a total of $5,779,000, and Argentina came sixth with $3,512,000. The British Empire total consisted of $204,302,000 for Great Britain and $29,253,000 for the Colonies. Among them the West Indies have a long lead, their aggregate in 1908-9 having been $9,936,000. Along with them British Guiana should be grouped for fiscal purposes, and that gives another $2,206,000. There is thus the respectable amount of $12,142,000 involved in the trade of Canada with the West India group of British colonies. In any reciprocity scheme which may be devised for carrying out the recommendations of the Royal Commission, which has just investigated this subject, Newfoundland will have a right to be included, and its trade with the Dominion is worth another five million dollars a-year (1908-9, $5,191,000).

If the Canadian Ministers secure reciprocity with the United States as well as with Newfoundland and the West Indies they will have accomplished the greatest achievement of its

kind now open to commercial statesmanship. They will be making a new departure in international trade and setting up a new fiscal policy. They may, for aught we know or can foresee, be inaugurating revolutionary changes not only in Canadian trade, but in that of the Empire. In the eyes of their countrymen and of the world at large they will be greater men than the official philosophers who sit in Downing Street and tell us both by precept and example how things should not be done.

CHAPTER XXII.

THE TAFT-FIELDING TREATY.

In referring to this now famous Treaty, one's first impulse is to pay a cordial tribute to the skill and speed with which it has been negotiated. In both these respects it is an object-lesson to the slow and circuitous diplomatists of the Old World. Not only is it a new kind of commercial treaty, but it introduces new diplomatic methods and principles. Strictly speaking, it is not a specific contract between the Governments of Canada and the United States, but only a mutual agreement to make certain changes in their customs tariff. It does not bind either of them to maintain these changes for any particular period. Either of them may at pleasure alter any or all of the new duties. All that could happen in such a case would be the release of both parties from the bargain. They also retain a free hand to negotiate with other Governments.

The fundamental principle of the treaty is reciprocity, but a simpler kind of reciprocity than has been practised hitherto. The two Govern-

ments have agreed to a free exchange of a long list of natural products. This free list (Schedule A.) forms the backbone of the treaty. They have further agreed to a list of identical duties on certain other products and manufactures (Schedule B.). This is comparatively short, but there are some important items in it. Appended to these there are two one-sided schedules (C. and D.), the first of which concedes special duties to certain products and manufactures of Canada entering the United States, while the second does the same for certain products and manufactures of the United States entering Canada.

The new free list will be the most keenly scrutinised, not only by the Canadians themselves but by British readers, and especially by British exporters. The question for us arising out of it is how it affects the preferences we enjoy under the existing Canadian tariff. Wherever the regular duties have been abolished in favour of the United States, the British preferences will, of course, disappear along with them. The tables will be turned, in fact, against Great Britain and in favour of the United States. But it may be that few of the articles thus freed figure largely among British exports to Canada. Where there is little or no British competition, it will matter little to us on what terms American goods are admitted into Canada.

That is the point to be tested. On the

opposite page the principal items in the Taft-Fielding free list are set out along with the triple scale of duties to which they are subject—namely, the Maximum or General tariff, the Intermediate tariff, and the British Preferential tariff.

The most notable of all these tariff changes are the first half-dozen (Free List, 1. Specific Duties). The sweeping away of nearly all customs duties on foodstuffs as between the United States and Canada practically imposes on the United Kingdom a similar policy. Take wheat, for example. When the Canadians have a free market for that in the United States they may gradually become independent of the British market. Even a shilling per quarter, combined with the extra cost of transportation, might turn the scale against us. As consumers of the heavier kinds of farm produce—hay, potatoes, &c.—we are not in normal years brought into competition with the Americans, and consequently these remissions do not greatly concern us. We may, however, be affected by an increased American demand for Canadian fruit, poultry, and dairy produce.

The category of free manufactures is small, and of no great consequence either as to bulk or value. But it is important as a distinct breach in the policy of British preference which Sir Wilfrid Laurier is always assuring us will be religiously maintained. With reference to large classes of iron and steel manufactures (sheets,

THE TAFT-FIELDING FREE LIST

(Showing the Canadian Duties to be Repealed).

	Maximum.	Inter-mediate.	British Preference.
1. *Specific Duties.*	Cents.	Cents.	Cents.
Wheat . . . Bshl.	12	10	8
Oats . . . ,,	10	9	7
Hay . . . Ton.	$2.00	$1.75	$1.65
Potatoes . . . Bshl.	20	17½	12½
Eggs . . . Doz.	3	2½	2
Butter . . . Lb.	4	4	3
Cheese . . . ,,	3	3	2
Apples . . Barrel	40	35	25
Grapes . . . Lb.	2	1¾	1½
Fish, Fresh or Salted ,,	1	¾	½
2. Ad Valorem *Duties.*	Maximum. Per cent.	Inter-mediate. Per cent.	British. Per cent.
Animals	25	22½	15
Poultry	20	17½	12½
Vegetables . . .	30	27½	15
Garden Seeds . . .	10	10	5
Timber, Dressed . .	25	22½	17½
Plaster	12	11½	8
Mica	20	17½	15
Asbestos, Crude . .	20	17½	15
Wood Pulp . . .	25	22½	15
Manufactures—			
Brass, in bars or rods .	10	7½	5
Iron or Steel sheets or plates . . .	5	5	Free.
Steel Wires . . .	5	5	Free.
Type-casting and Type-setting Machines .	20	17½	12½

plates, wire, &c.), Canada is now reducing us to a level with the United States. At present we have a free market in these goods, while the Americans have to pay a 5 per cent *ad valorem* duty. If the Taft-Fielding Treaty be adopted, the Americans will also have the free run of Canada for their iron and steel sheets, plates, &c. Fortunately the Canadian steel-mills will be as much affected by this concession to the Americans as our own iron and steel works. They may be trusted to fight this concession tooth and nail, and if they succeed, our modest preference of 5 per cent may be spared for a few years longer.

It will be observed that there are some American manufactures to be placed on the free list, while the corresponding British exports will still be dutiable. Brass in bars or rods imported into Canada from Great Britain will continue to pay 5 per cent *ad valorem*, and British type-casting and type-setting machines will continue to pay 12½ per cent, while similar goods will be admitted free from the United States. The actual loss to us may not be great, but to the doctrine of British preference it may be damaging. In Schedule B.—the list of imports on which identical duties are to be charged by both countries—further liberties appear to be taken with British preference. That list contains several large groups of manufactures in which British and American competition is pretty

keen. All who are interested in these will observe with some concern that there is little to choose between the Taft preferences and the British.

THE TAFT-FIELDING REDUCED DUTIES

(Showing Reductions in Canadian Tariff).

	New Duty.	Maximum.	Intermediate.	British Preference.
1. *Specific Duties.*	Cents.	Cents.	Cents.	Cents.
Wheat Flour . Barrel	50	60	50	40
Oatmeal . . ,,	50	60	50	40
Cornmeal . . ,,	12½	25	22½	20
Fresh Meats . . Lb.	1¼	3	2½	2
Bacon . . . ,,	1¼	2	1¾	1½
Lard . . . ,,	1¼	2	1¾	1½
2. Ad Valorem *Duties.*	Per Cent.	Per Cent.	Per Cent.	Per Cent.
Canned Meats . .	20	27½	25	17½
Mineral Waters . .	17½	20	17½	15
Pickles	32½	35	32½	25
Feathers, Crude . .	12½	15	12½	10
Manufactures—				
Ploughs, Harrows, &c.	15	20	17½	12½
Portable Engines .	20	20	17½	15
Cutlery . . .	27½	30	27½	20
Clocks, Watches, &c. .	27½	30	27½	20
Earthenware . .	32½	35	30	20
Plate Glass . .	25	27½	25	15
Motor Cars . .	30	35	30	22½

On ploughs, harrows, and other agricultural implements the difference between the British and American duties is only 2½ per cent (British preferential duty 12½ per cent, and Taft 15 per cent). On portable engines, traction engines, and agricultural machinery it is 5 per cent. On cutlery it is 7½ per cent—British, 20 per cent against Taft duty, 27½ per cent. On clocks, watches, &c., the difference is the same as in cutlery. On plate-glass it is 10 per cent, and on motor cars 7½ per cent. These preferences fall very short of the ideal 33 per cent which we hear so much about at Ottawa. They barely suffice to cover the extra expense of the British manufacturer in reaching the Canadian market.

When the schedules are carefully and exhaustively scrutinised, many more such examples of dwindling preference may be found in them. But who is to undertake this arduous and not altogether gracious task? Will the Board of Trade, with endless data at its command, try to forecast the probable effect on our Canadian exports of this remarkable treaty? There is urgent need for trustworthy guidance in the new reciprocity movement, which, having begun so brilliantly at Washington, is sure to spread to other countries. As a preliminary step a somewhat detailed comparison of British and American exports to Canada may be useful.

The official records of the Dominion facilitate

such inquiries by giving special returns of British and United States trade. These include elaborate tables of imports, showing the actual values of nearly four hundred different classes of goods. It is easy to pick out from them the more important classes, and those in which the two countries are likely to be keenest rivals. At first glance one cannot fail to be struck by the comparatively small number of large items in either list. In the British one there are only twelve that exceed a million dollars per annum, and in the United States list only seventeen. The British total of $70,556,000 for the fiscal year 1908-9 embraced the following classes of imports above the million dollar line:—

BRITISH EXPORTS TO CANADA, 1908-9.

ITEMS EXCEEDING ONE MILLION DOLLARS.

Wool and Manufactures of	$13,021,495
Iron and Steel and Manufactures of	8,126,695
Cotton and Manufactures of	8,033,610
Drugs, Chemicals, &c.	2,128,585
Silk and Manufactures of	1,921,378
Flax and Manufactures of	1,902,971
Tin and Manufactures of	1,818,408
Mineral Products	1,464,513
Spirits	1,425,251
Hats, Caps, &c.	1,258,388
Fancy Goods	1,189,371
Earthenware and Chinaware	1,065,943
	$43,356,608
Miscellaneous	4,199,593
	$47,556,201

The miscellaneous imports are separately an-

alysed, and the only two items among them exceeding a million dollars are—

Settlers' Effects	$1,799,285
Tea	1,708,267
	$3,507,552

Thus, in round numbers, less than 48 million dollars out of a grand total of 70 millions of our exports to Canada consisted of articles exceeding a million dollars a-year in value. The other 20 million dollars were made up of small items, sometimes as low as ten dollars in value. If we now analyse in a similar way the $192,661,000 of Canadian imports from the United States, we shall have to begin by setting aside several large groups that have no exact counterparts in the imports from Great Britain. This distinction would apply more or less to agricultural products which Canada received from the United States in 1909 to the value of nearly twenty million dollars ($19,890,380); animals and animal products, $9,813,919; forest products, $6,204,843; minerals, $32,735,517; and precious metals, $9,970,372. These five groups, representing an aggregate of nearly eighty million dollars ($78,615,031), are non-competitive imports so far as Great Britain is concerned. They affect chiefly the domestic products of Canada, a matter in which the Canadians are well able to take care of themselves.

The aggregate value of United States exports to Canada in 1909 has already been given as

$192,661,000. If we exclude from that the above $78,615,000 of non-competitive imports, the area of competition with British imports will be reduced to $114,046,000. But it is, in fact, still smaller. Seeing that the British imports are practically all manufactured goods, the comparison need not be carried farther than the corresponding class of United States imports. It was valued in 1909 at $93,723,000, and compares with $70,556,000 of British manufactures. Less than twenty of the four hundred specified items exceeded in value one million dollars. They were as under:—

CANADIAN IMPORTS OF UNITED STATES MANUFACTURES EXCEEDING A MILLION DOLLARS, 1908-9.

Iron and steel manufactures	$31,375,406
Cotton	6,592,853
Drugs, chemicals, &c.	5,953,976
Leather manufactures	2,514,364
Paper manufactures	2,495,895
Copper manufactures	2,411,304
Rubber, guttapercha, &c.	2,409,220
Books, periodicals, &c.	2,382,093
Cotton manufactures	1,994,958
Electrical apparatus	1,844,081
Metal-ware	1,841,753
Binder-twine	1,459,268
Wood manufactures	1,338,802
Express parcels	1,302,628
Carriages	1,248,029
Brass manufactures	1,217,450
Coke	1,072,853
	$69,454,933

Less than two-thirds of the United States exports to Canada is made up of goods exceeding a million dollars a-year in value. More than a third of them is below that value; in other words, it consists of a great variety of comparatively small consignments. This indicates the impossibility of applying broad political or economic maxims to such a trade. It can only be suitably dealt with by the traders themselves. If it were handed over by the academic politicians to practical men—Chambers of Commerce among others—it would become a business problem instead of a football of party politics. One wholesome effect of the reciprocity movement may be to accelerate that transfer.

In face of the Taft-Fielding and other notable conventions by which nations concede to each other special advantages in each other's markets, it is sheer folly for the political philosopher to declaim against them. They are here, and likely to remain with us. They cannot be preached or lectured away. The more they are lectured against the more they are likely to increase. The only thing left for us to do is to decide whether we shall join in or remain outside nursing our economic self-righteousness. Reciprocity conventions are being entered into all round us, and our academic protests seem to have no power whatever to stop them. When it is too late we may find that we have to pocket our pride and follow the new fashion.

Instead of plunging into the abstract controversies which are now raging over the question of reciprocity between Canada and the United States, let us turn to a concrete example of how such reciprocity has operated elsewhere. What President Taft aims at is doubtless something like the arrangement which is now in force between the United States and the Republic of Cuba. The Reciprocal Commercial Convention of 1903 was intended by the Americans as a model for future treaties of a similar kind, and if an agreement can be reached with Canada it will be more or less on the same lines. An authentic description of this Convention will therefore be helpful in any practical discussion of the Canadian case.

The Cuban Commercial Convention was negotiated in 1903, and came into operation on the 27th December of that year. It contains eleven articles in all, with three schedules, and it deals with a very complex subject in a commendably plain and lucid manner. The draftsmen of our commercial treaties might take a much needed lesson from it in these respects. It is singularly free from the tortuous verbosity in which they invariably contrive to lose themselves. The first article provides that all products of the soil or industry of either country then on the free list shall remain free during the term of the convention. Articles II. and III. bind the contracting parties to grant each

other a preference of 20 per cent on all articles not on the free list and not in the special schedules of fixed duties. They are textually the same, except that the names of Cuba and the United States as given in the one are reversed in the other. One will therefore serve as an example of both.

Article II. During the term of this convention all articles of merchandise not included in the foregoing Article I., and being the product of the soil and industry of the Republic of Cuba imported into the United States, shall be admitted at a reduction of twenty per centum of the rates of duty therein as provided by the Tariff Act of the United States approved 24th July 1897, or as may be provided by any Tariff Law of the United States subsequently enacted.

Article III. secures for the United States a reciprocal reduction on the products of its soil and industry imported into Cuba. But the Americans got a little more than they grant. Article IV. contains three special schedules of American goods on which Cuba has to concede larger reductions than the standard 20 per cent. The first is a 25 per cent preference list embracing machinery, wrought iron and steel, metal manufactures, ships and boats, whiskies and brandies, fish, pottery, and earthenware. The second schedule is a long list of articles, which are to have a 30 per cent preference. The principal ones are butter, flour, corn, meal,

mineral waters, flax, hemp, jute, paper, cotton and cotton manufactures, plated ware, cutlery, boots and shoes, vegetables, wines, &c. The third and highest category of favoured imports has a 40 per cent preference. It embraces fine cotton goods, knitted goods, cheese, fruits, paper, pulp, wool and wool manufactures, silk and silk manufactures, perfumery, porcelain, watches, &c.

The higher preferences secured for American imports are obviously designed to give American manufacturers a pull over their British and German competitors. Some of them have also an eye to Canadian rivalry. The schedules are evidently very favourable to American exports, and all the different industries affected by them had been duly consulted in their preparation. The convention has succeeded only too well in cutting us out of Cuban markets—as it was intended to do—but that was not its only object. It is a weapon which may be as easily turned against us in the West Indies and in Canada as it was in Cuba. Jamaica and every other British colony in the Gulf of Mexico have had an almost irresistible temptation dangled before them in that Cuban Convention. The knowledge that they might have for the asking all the favours thus granted to Cuba, and possibly a few more, must have been for the last seven years a somewhat severe test of their attachment to the Mother Country.

It may be questioned if the Mother Country

had any right to impose such a strain on their loyalty, but there can be no question as to the danger of persisting in a suicidal policy of sheer negation. The banging, bolting, and barring of fiscal doors may seem a simple electioneering game to play, but it is not business. It looks very different at the colonial end from what it does at Westminster. And when played against smart people like the Americans and Canadians it is not so very certain to succeed as its champions suppose.

That the Cuban Convention has had a strong reflex influence on the West Indies and on Canada is no longer disputable. It was the last straw which made their relations to each other and to the United States no longer tenable. It made reciprocity a fiscal principle in the New World which could no longer be pooh-poohed either by British or Colonial faddists. In 1909, six years after the Convention came into operation, the Asquith Government had to recognise its effects so far as to admit a case for inquiry. But in appointing a Royal Commission for that purpose, the utmost care was taken to ensure a perfectly safe and orthodox report. Two stalwart free traders were placed at the head of the Commission, and if the anti-preferential policy ever had friends at court in a case like this, they were Lord Balfour of Burleigh and Sir John Dickson Poynder, now Lord Islington. They were sent out to curse reciprocity and all its works, but to

the amazement of their patrons they have unequivocally blessed it.

Close on the heels of this second complication has come another—equally logical and formidable, but much more important. President Taft has now entered the field as an apostle of reciprocity, and judging by the impetuous character of his propaganda, he is not to be satisfied with small results. The Rooseveltian policies having gone out of favour, an effective substitute had to be found for them. Reciprocity was his first, and in fact his only possible choice. He is going to concentrate himself upon it. The ultimate consequences may be exceedingly awkward for three different sets of politicians—British, Canadian, and American.

How Mr Asquith, Mr Lloyd George, and Mr Winston Churchill, to say nothing of the smaller fry of the Cabinet, feel toward it in their hearts can be easily imagined. For opposite reasons, Sir Wilfrid Laurier and his colleagues, though superior to the Cobdenite bogey, which is a nightmare to Messrs Asquith and Company, do not welcome President Taft's abrupt intervention. It is decidedly inopportune for them while they have their hands full of more urgent business at home. From the Canadian point of view it is also premature. They believe that every succeeding year will put the Dominion in a stronger position for commercial negotiation, whether with

the Mother Country or the United States, or any other nation.

But President Taft having made up his mind to force on the reciprocity issue, it has got to come, and no Mrs Partington, British or Canadian, will be able to hold it back. Once started, there is no knowing how far it may go. A Pan-American crusade may be made out of it, and if so, we may say farewell to Mr Chamberlain's fond dream of a British Imperial Zollverein. The issue should therefore be boldly faced in the full extent of its future possibilities. There cannot be two supreme fiscal policies on the American continent. Big as it is, it hasn't room for them. The dominant reciprocity of the future will be either British or American, but it cannot be both. Which of them it is to be will probably be definitely settled within the next five years.

British statesmanship has here another chance to avert the commercial disintegration of the Empire. That danger has already made a great advance in Canada, thanks to the pedantic refusal of the Home Government to entertain the slightest suggestion of fiscal alliance. Reciprocity, *à la* Taft, may soon widen beyond repair the commercial breach which has already begun between Canada and the Mother Country.

CHAPTER XXIII.

THE RISK OF AMERICANISATION.

CANADA has her ethnological as well as her economic and financial problems. She is drawing settlers from all parts of the globe — Anglo-Saxons, Scandinavians, Galicians, Greeks, Slavs, Jews, and Japanese. Such hordes of aliens, many of them imperfectly civilised, will obviously require a large amount of assimilation. Some of them may prove too tough to be easily digested, and others may become too numerous to be easily governed. As yet, neither of these dangers is taken seriously. The Canadians have great faith in themselves as empire builders. What their British ancestors did in the middle ages with Danes and Normans, they believe they will be able to do in the twentieth century with European and Asiatic immigrants. The success with which they have already reconciled two nationalities and two religions, historically jealous of each other, gives them ground to hope for equal success in the larger task now opening up before them.

It may be that they are over-sanguine, but that

is the proper spirit for the occasion. Even if they were constitutionally despondent, the cheery optimism of Sir Wilfrid Laurier would carry them along in spite of themselves. But certain features of the outlook do undoubtedly cause them some anxiety. One is the irrepressible Oriental, and the other the hustling American. Just what the ultimate position of these strenuous guests is to be in the Dominion is a question becoming more and more urgent. Sometimes the American side of it is uppermost and sometimes the Oriental side. At present it is the American problem that excites the greatest interest. It has already passed the academic stage, and become a question of practical politics. The American settler in the North-West is only one of a large group of difficult issues which have to be fought out between the Dominion and the United States.

Immigration, commercial reciprocity, frontier police, the control of the great waterways, and other disputable interests are all up for reconsideration and readjustment. But on both sides they are approached with a feeling that there is something behind them much more important than any one of them, or all of them together. That is the question of the ultimate relations of the two countries to each other. Eight millions of people on one side of the international line, and ninety millions on the other, are wondering what their political destiny is to be. The Americans are becoming even more anxious on the sub-

ject than the Canadians. They are more strenuous in their methods of thought as well as of action, and less able to bear suspense.

Since it became evident to them beyond doubt or dispute that Canada was a coming country, the Americans have grown nervous and restless. While far, as yet, from regarding her as a rival nation, they see in her a check on their political control of the North American continent. She will set a limit to their extension northward. Her politics may qualify and even weaken their republicanism. Her fiscal policy may have to be taken into account in their tariff-making. Her railways may become serious competitors for trans-continental traffic. Her natural resources may become indispensable to American industry. Her manufacturers, bankers, and financiers may frequently cross the path of their hitherto all-powerful trusts. In short, the eight millions of people may give a lot of trouble to the ninety millions. When they become twenty millions they will be proportionately more troublesome.

The Americans have thus good ground to feel uneasy about Canadian developments. The more impatient of them would like to grasp their nettle at once, and make an end of it. Forcible annexation has not only been hinted at, but openly advocated by spread-eagle politicians. Commercial annexation is favoured by moderate men as a half-way measure. President Taft has placed himself at the head of that movement, which a

cautious man like him would not have done without full assurance of its popularity. He must also have assured himself of its practicability, and that the time is ripe for it. He is almost Rooseveltian in the impetuosity of his courtship of Canada. But this time Canada is coy, and even suspicious. She foresees that commercial reciprocity might be only the beginning of an Americanising movement which might go far beyond fiscal limits. And she does not forget the warnings on this point given to her years ago by Canadian statesmen now in their graves.

Canada's greatest viceroy—Lord Dufferin—was at one with her shrewdest statesman, Sir John Macdonald, in ardent loyalty to the Empire. He was also a strong believer in the high destiny of Canada. Both in public documents and private correspondence he put on record many interesting forecasts of the possible future of the country he loved dearly and regarded as one of the most valuable possessions of the British Crown. He had a prophetic vision of its many and various possibilities, commercial as well as political. Some of his views were unique, as, for instance, the following plea for not allowing Canada to become Americanised :—

> Quite apart from all considerations of our own advantage, it will be for the future welfare of this continent that it should not be dominated by a single government, or its civilisation be fashioned in the same mould or cut to a uniform pattern. Already the social, political, and

intellectual monotony which pervades America is very oppressive, and one shudders to think of this gigantic area becoming possessed by an enormous population of units as indistinguishable from one another as peas in their habits of thought and conduct, and subject consequently to an instantaneous impulse from any sudden paroxysm or wave of historical sentiment. From this evil, at all events, Canada will deliver them if only she gets the chance of developing her individuality, for every year will render more distinct the differences which will be evolved out of a different political system.[1]

Of late Canada has certainly been a powerful antidote to American monotony. She has also furnished many thousands of Americans with a means of escape from monotony into a fresh and exhilarating life. In the past half-dozen years it has welcomed nearly half a million of American citizens and provided homes for them. In 1905 these American immigrants numbered 43,652; in 1906 they increased to 57,819; in 1907, when the American boom was at its height, they increased further to 74,607. The collapse of that boom caused a temporary reduction in 1908 to 56,860, but next year the tide rose again almost to its former height. In 1909 the total number of people entering Canada from the United States was 72,349. In the current year (1911) it is expected to reach the round 100,000.

It has been objected that these immigrants did not all remain in Canada, and that the returns

[1] Lord Dufferin to Lord Carnarvon, 25th April 1874.

ought to be deducted in order to get at the actual number of permanent settlers. But that is a detail with which the Canadian Immigration Department does not concern itself. It is left to the American frontier officials, and only of late have they begun to publish any information on the subject. The Canadian press stoutly denies all the recent rumours of an American exodus from the North-West. It asserts that the Americans are doing too well in Alberta and Saskatchewan to think of going back to their worn-out farms in the Dakotas or Wisconsin. These denials are all the more credible in so far as the immigrants have hardly had time yet to give the new country a fair trial. Since 1905, when the northward rush began, they have had on the whole good seasons, and should have done well. The real test is more likely to come next spring when the North-West will be feeling the effect of last year's short crop.

But whether or not the American migration into the North-West prove short-lived, the above figures are remarkable enough. They mean that the number of Americans in Canada has more than doubled in the past decade. Four times as many of them have entered the North-West since 1905 as there were in all Canada at the census of 1901. Their total number then was 127,899; at the preceding census of 1891 it had been only 80,915; in 1881 it was 77,753, and in 1871, 64,447. There was no question then of Americanisation

in the colonising sense. Iowa or Minnesota farmers would have laughed at the idea of trying to grow wheat in the Saskatchewan Valley, to say nothing of the shores of Lake Athabasca. To them Winnipeg was a mere fur-traders' camp, and none of them expected to see land buyers and homesteaders crowding into it at the rate of four hundred a-day.

But now that they have entered in their thousands and tens of thousands, and spread themselves all over the North-West, a new situation has arisen, and along with it many new questions. It is obviously premature to attempt to forecast the influence they may have on the future of the Dominion. They may all become superloyal Canadians as Sir Wilfrid Laurier confidently anticipates, but it is surely rather early to prophesy on so novel and strange a subject. Very probably they have not yet begun to think seriously about it themselves. They have had no special occasion to do so. As yet they have never had to choose between their old nationality and their new one. They have not been called upon to declare themselves Canadians or to cease to be Americans. They can do all the voting they want—municipal, provincial, and national—simply as settlers. So long as they are left alone to make money and to lead their own lives they will, of course, be good Canadians. The pinch will come when there is not so much money to be made, or

when some question arises to remind them that after all they are Americans.

On the other hand, it may be an exaggerated assumption that all these immigrants from the United States are American born. Many of them may be Europeans, birds of passage, who have been only a short time in the States and may not even have naturalised there. In any case it will take them a long while to become sufficiently numerous to count for much in Dominion politics. With Provincial politics it will be different. There they may soon become influential and possibly disturbing factors. In disputed questions arising between the Provincial and Dominion Governments they may be a heavy weight in the wrong scale. That such questions will arise very frequently is only too certain. There have been a good many of them already, and quite a number of them are pending just now. They expose the weakest point of the Dominion Constitution (the British North America Act), namely, the sweeping and ill-defined authority which it gives to the Provincial Legislatures.

There is much more danger of Americanisation arising out of local interests along the frontier than out of a national movement in its favour. It is to-day a wholly different issue from what it was when advocated by the Canadian Grits of thirty years ago. Then it was a political dream, but now it is a question of business. Its most

zealous advocates on the American side of the line are men who have a practical stake in it—not necessarily personal but in any case local. It is at certain points along the international boundary that the agitation is kept up, and even there it is sporadic. There is no difficulty in understanding why reciprocity should be strongly favoured at Boston, Niagara Falls, Detroit, Duluth, the Twin Cities, Spokane, and Seattle. It is a very live question for all of them, and in a smaller degree for other American cities on the Pacific slope.

But we never hear about reciprocity at Kansas City, Denver, or New Orleans. The Southern States, as a whole, might be rather against closer relations with Canada. If British territory is to be had for the asking, they would much rather have the West Indies, British Honduras, and any other of our waifs and strays there may be on the Gulf of Mexico. New England and the Western States are chiefly interested in the reciprocity campaign, and it is there it finds the strongest expression. The late Governor Johnson of Minnesota—a Westerner of the most advanced type—was an avowed annexationist. Speaking at Detroit, not long before his death, he startled the Canadians present by predicting that they had to end under the Stars and Stripes.

> The great problem of the future [he said] is the government of America by Americans. In the working

out of this problem, I believe we must obliterate the imaginary line between the United States of America and the Canadian States of America. I can see no reason for the division. I believe that the flag bearing the stars and stripes must finally spread from Behring Sea to the Gulf of Mexico.

The man who uttered that prophecy in a mixed assembly of Canadians and Americans was no spread-eagle orator. He was a level-headed politician, who, had he lived to round off his career, would have taken high rank among American statesmen. After the final defeat of Mr Bryan in 1908, he was talked of as the next Presidential candidate of the Democrats. As things are now, he would almost certainly have got the nomination. Such was his natural genius for public affairs that, though Minnesota is an out-and-out Republican State, it elected him three times by sweeping majorities as its Governor. He was the real author of the Rooseveltian policy for the conservation of natural resources. It was at his suggestion that the famous Conference of State Governors was called at Washington to consider it, and the scheme was being elaborated by him during his last illness.

Minnesota, Governor Johnson's State, would go solid for reciprocity and still more solid for annexation,—not for academic or sentimental reasons, but as a business proposition. It has, perhaps, more than any other State to gain from

such a policy. Its future depends very largely on the amount of traffic it can draw from the Canadian North-West. All that it draws will have to be diverted from the Canadian rail and water routes. Every ton of freight it brings down to Duluth will mean so much less for Port Arthur and Fort William. Every bushel of wheat it can divert from Regina or Winnipeg to Minneapolis will help the Minneapolis flour-mills to maintain their desperate competition with Canadian mills. Mr J. J. Hill, the far-sighted builder of the Great Northern Railway, has long foreseen the importance of the Canadian North-West to the Western States generally and Minnesota in particular. In order to prepare for it, he is always running out new feeders from his main line up into Manitoba and Saskatchewan. He is also understood to be at the back of the 700-mile road which is about to be run from the international line up into Alberta.

So much for the Western end of the reciprocity agitation. The New England end of it is equally practical. New England manufacturers want free coal, free fish, and various other free imports from the Maritime Provinces of Canada. At the same time, they would like to have a free hand in the growing markets of Ontario and Quebec. There are many French Canadians in New England who share these sentiments and interests. Some of them become more American than the Americans themselves. Boston has a Canadian

Club, at which after-dinner speeches are occasionally made which would hardly be approved of by Sir Wilfrid Laurier. On one of these occasions a Mr R. L. Minard — evidently a French Canadian — expressed his opinion that "never could Canadians be brought into war with the United States, no matter what stand the Mother Country might feel compelled to take to carry out her treaty obligations."

Mr Minard's announcement that, in the highly improbable event of war between Great Britain and the United States, Canada ought to leave the Mother Country in the lurch, is a piece of gratuitous and ill-bred prophecy. He is evidently ignorant of the elementary fact in the recent history of the two countries, that nearly all the questions arising between them are not British but Canadian. Mr Bryce, our present Minister at Washington, stated recently, in an after-dinner speech, that such a large proportion of his work was Canadian that he had come to regard himself as Ambassador for Canada rather than for Great Britain. Thus, if a serious dispute were to arise with the United States, the chances are ten to one that it would be on some Canadian question, and if Canada did not choose to support the Mother Country in fighting her battles for her, the Mother Country would be justified in leaving Canada to fight them for herself.

The risk of Americanisation is far more of a

Canadian than a British question. We have much less at stake in it than the Canadians themselves have. If it did happen, it could only be through their deliberate choice, and if it had advantages for them it would also have disadvantages. It might give them a certain amount of material prosperity, but they would pay heavily for it in the absolute and final loss of their nationality. *Per contra*, if it had disadvantages for us, it would also have compensations. The relief it would give us from all responsibility for the defence of Canada and her three thousand miles of coast-line might be a saving of many millions a-year on our navy estimates. The millions thus saved might be well spent in strengthening vulnerable points at home, which concern ourselves even more than Canada does.

If it were not so serious for the Empire at large, it would be laughable to hear Irish-Americans and Canadian-Americans babble as if the fate of the Anglo-Saxon race were in their hands. Canadians will be badly left to themselves if they listen to such counsellors on one of the most vital issues of their national life. Irish-American bombast is in present circumstances specially absurd. And yet even in the patriotic Presbyterian city of Toronto it seems to be highly relished at times. St Patrick's Day is generally celebrated there by a mass meeting, with a more or less disloyal Irishman as chief orator. In 1909 it was

Mr Cummings, the President of the American Hibernians, who performed that duty. His message from Chicago to loyal Toronto was that "England is to-day trying to bring about an alliance with the United States." He added that "two-thirds of the Irish race is now in America, and they will oppose England and English influence."

Toronto must be a preternaturally solemn city not to see the humorous side of such St Patrick's Day rant. Why should Toronto, or for that matter Montreal or Winnipeg, or even Quebec, wish to see English influence opposed or restricted on the American continent? Where would Canada be without it? What obstacle would there be to Americanising it from the Atlantic to the Pacific? Within twenty years of Canada ceasing to be British the late Governor Johnson's prophecy might be fulfilled—the Stars and Stripes might be floating from Behring Sea to the Gulf of Mexico. No intelligent Canadian, if he will only look at the problem all round, could for a moment imagine a community of seven or eight millions maintaining an independent national existence alongside of a rival community of ninety millions. The moral, political, and commercial predominance of the larger community over the smaller one would be so great as to be virtually irresistible.

Even with all the power and prestige of the British Empire behind her Canada will find it

a hard enough task to resist the many and various forms of Americanisation to which she will be subjected in the next twenty years of her history. It is not violence she need be most afraid of, though her three thousand mile frontier puts her entirely at the mercy of an overwhelmingly powerful neighbour. Her chief danger lies in the fact that she possesses so much natural wealth, which may not only be coveted by the Americans, but may become indispensable to them. Her lumber, her minerals, her foodstuffs will one day be needed to make good the shortage of American supplies of the same kind. Her markets may also become necessary as an outlet for the surplus output of American mills and factories.

All these are vital questions which might go hard with a community of eight million people if they had to be disputed with a neighbouring community of over ninety millions. And the older they grew the worse they might be for Canada. Ninety millions of people will increase much faster in numerical and political strength than eight millions. American predominance, already large enough, may twenty years hence be overwhelming; in forty years it may be incalculable. To assert or even to expect that it will never be exercised in a selfish spirit would be rashly optimist. It is being exercised already in a variety of ways.

The big American trusts are making themselves

quite at home in the Dominion. Canadian trade unions are gradually becoming branches and outposts of American societies. All the great strikes of the past few years in Canada have been engineered from the United States. American labour leaders planned the campaigns and directed them. In the long strike of coal miners at Cape Breton, in the similar strike at the Crow's Nest Collieries, in the recent attempt to tie up the Grand Trunk Railway, American influence was supreme. The avowed policy of the American unions is to raise Canadian wages and conditions of labour to the American level—a quite logical aim, but rather awkward for Canada, and full of worse possibilities in the not distant future.

If the Americans should have occasion to try any filibustering tactics in the North-West the capture of a Provincial Legislature might be by no means difficult for them. Provincial Legislatures being within their allotted sphere omnipotent as well as irresponsible to any higher authority, in the assumed case the American filibusterers could bid defiance to the Dominion Government. Or, at all events, they might provoke very dangerous friction between Ottawa and Washington. This is one of the forms of Americanisation that the Canadians have most to fear.

CHAPTER XXIV.

THE IMPERIAL CONFERENCE COMEDY.

THE Imperial Conference which is to form part of the brilliant programme of King George's coronation will not only excite fresh hopes of imperial unity, but it will revive some sad memories. The last royal coronation—that of 1902—was also accompanied by a so-called Imperial Conference. Since then nine eventful years have elapsed, and if we ask ourselves what fruit those imperial deliberations have borne, the answer will not be flattering either to our patriotism or our statesmanship. The best that can be said for the Imperial Conference of 1902 is that it was, at least, not such a mockery as its immediate successor of 1906. If it did not achieve much, neither did it destroy anything. It did not bang, bar, and bolt any fiscal door. It did not rudely reject any favour spontaneously offered by the oversea Dominions. It did not prejudge any important question, or refuse to discuss any vital issue affecting the Empire. It was an open, frank, and cordial consultation between

British and colonial statesmen, not a fencing match between two rival schools of political economists.

Just now the country has more than one absorbing question before it. Some people may think that the muzzling of the House of Lords is the most important of them all. Some may consider Home Rule the question of the day. The tariff reformers put preference first and everything else nowhere. But all of us forget to ask what the colonial delegates are likely to be thinking most about. It may not be either the House of Lords or Home Rule. It may be none of the petty details of British politics. The uppermost idea in their minds may be a doubt as to the utility of Imperial Conferences which so often end in vague discussion, and sometimes do not get even that length.

Outside of Great Britain it is well known that the Imperial Conference was a colonial and not an imperial idea. It originated outside of Downing Street. The story of its origin and its humble beginnings was told as long ago as 1896 in the Legislative Council of Victoria by Sir Frederick Sargood. Speaking in a federation debate which had been initiated by Sir Robert Reid, he said—

> This is no new subject. I recollect when I was at home in 1881, Canada took an active part in the same direction. A representative of the Canadian Government summoned a meeting of a considerable number of leading colonists who happened to be at home at the time. One or two Agents-General attended. The re-

sult of that meeting was a determination to see if anything could be done to bring the various parts of the Empire closer together. A deputation waited on Earl Kimberley, who was then at the Colonial Office, and he pointed out to them the inevitable lion in the path—namely, that while the trade between the Mother Country and the colonies is not inconsiderable in amount, it is comparably speaking a very small affair, taking into account the trade of the Mother Country with the rest of the world. The point then was and is —Will it pay the Mother Country to offend all the rest of her customers for the sake of a small benefit that may apparently be derived from falling in with the notion of the colonies?

The negative Whiggism of 1881 shines in every line of Lord Kimberley's snub to the presumptuous colonials. Of course, he threw cold water on any federation proposal. That was his *métier* as a thoroughly Cobdenised Whig. Nothing more was done or could be done during his *régime*. But in 1895 a new and more sympathetic spirit entered the Colonial Office. Then events began to march a little faster. The movement received a fresh impulse from an unexpected quarter. In June 1896 a congress was held in London of the Chambers of Commerce of the Empire. Naturally the question of Imperial Federation came up there. Colonists could not meet without broaching it, and the lukewarmness of people at home has always surprised and even annoyed them.

When, therefore, our present Prime Minister, Mr Asquith, talks of federation and imperial pre-

ference as inventions of the tariff reformers, he is simply exhibiting lamentable ignorance of a movement which, both in origin and development, has been chiefly colonial. Its strongest advocates have been colonial statesmen, and its principal impulse came from informal conferences which they held among themselves, altogether outside of Downing Street. More than one of these took place at Ottawa, and the latest immediately preceded the Chambers of Commerce Conference in London in 1896. At the latter it was the colonial delegates who again brought up the subject, but in justice to the home delegates, it must be admitted that they received the new overture with much more enthusiasm than Lord Kimberley had shown in 1881. After a very cordial and interesting discussion, the following resolution was unanimously adopted:—

> That this Congress of Chambers of Commerce of the Empire is of opinion that the establishment of closer commercial relations between the United Kingdom and the colonies and dependencies is an object which demands prompt and careful consideration. The Congress therefore respectfully suggests to Her Majesty's Government that if the suggestion should be made on behalf of the colonies, or some of them, it would be right and expedient to promote such consideration, and the formulation of some practical plan by summoning an Imperial Conference fully representative of the interests involved, or by such other means as Her Majesty may be advised to adopt.

Democratic politicians are very fond of talking

about "mandates." There is a strong sansculotte ring in the word which pleases them mightily. Borrowing their own language for a moment, we may remind them that at least two popular "mandates" had been issued on the subject of federation before the Imperial Government took any notice of it. The colonies had, in a variety of ways, indicated their wishes regarding it, and the organised commercial opinion of the Empire had formally declared in favour of it.

Mr Chamberlain was now at the Colonial Office —a tremendous change from Lord Kimberley. But he had done nothing as yet to disturb the minds of the stoical statesmen who think that empires may be best governed by absent-minded resolutions and academic debates. As yet there were no free fooders in the Cabinet. The Duke of Devonshire, Lord James, Lord Balfour of Burleigh, Lord George Hamilton, Sir Michael Hicks Beach, and Mr Ritchie were still unqualified admirers of "the greatest colonial Minister of the century." They doubtless shared in the satisfaction with which he received from the Congress of Chambers of Commerce the above resolution in favour of drawing closer the commercial relations of the Empire. We can picture them in the Cabinet applauding his suggestion to give the Prime Ministers of all self-governing colonies special invitations "to take part in the sixtieth anniversary of Her Majesty's accession" which was to be held in the following year. May

we not also assume that they raised no objection to the postscript which was added to the invitations, expressing the hope of Her Majesty's Government that their presence here "might afford a valuable opportunity for the informal discussion of many subjects of great interest to the Empire."

The Jubilee Conference met on the 24th June 1897, and Mr Chamberlain, on behalf of the Government, submitted to it a list of "subjects of great interest" for discussion. That they were frankly and thoroughly discussed at a series of sittings which extended over a month is well known. An official shorthand note was taken of the proceedings, which though never published was doubtless circulated among the members of the Cabinet. Mr Chamberlain's opening speech and the resolutions adopted are, however, known to the public, having been issued in a brief parliamentary paper (C 8596). We learn from it that the subjects discussed were—political relations, exchange of military forces, commercial relations, the Pacific cable (since laid), imperial penny postage (now almost universal throughout the Empire), commercial codes, load lines, and alien immigration.

The political relations existing within the Empire were much too big a question to settle off-hand. Though two of the Prime Ministers, Mr Seddon and Sir E. Braddon, were quite prepared for definite action, the majority favoured delay. On this point a non-committal

resolution was adopted to the effect that "the present political relations between the United Kingdom and the self-governing colonies are generally satisfactory under the existing condition of things." To this an explanatory note is added in the official report, as follows:—

Mr Seddon and Sir E. N. C. Braddon dissented from the first resolution, because they were of opinion that the time had already come when an effort should be made to render more formal the political ties between the United Kingdom and the colonies. The majority of the Premiers were not yet prepared to adopt this position, but there was a strong feeling amongst some of them that with the rapid growth of population in the colonies the present relations could not continue indefinitely, and that some means would have to be devised for giving the colonies a voice in the direction and control of those questions of Imperial interest in which they are concerned equally with the Mother Country.

The main resolution was followed by another suggesting periodical conferences as a means of tiding over the interval till some permanent arrangement might be called for:—

Resolution 3. Meanwhile the Premiers are of opinion that it would be desirable to hold periodical conferences of representatives of the colonies and Great Britain for the discussion of matters of common interest.

At this first Imperial Conference another subject was touched upon which may have seemed small then, but it has since become of more than

imperial magnitude. The Anglo-Japanese Treaty had lately been concluded by Lord Lansdowne, and it was submitted to the Premiers of the self-governing colonies for their adhesion. It is thus referred to in the official report:—

> The question of the Treaty with Japan was brought before the conference, but with the exception of Queensland, Newfoundland, and Natal, the Premiers declared that they were not prepared to abandon their former attitude with regard to the Treaty to which they did not desire to adhere.

It is not always the big men who see farthest. The Premiers of Queensland, Newfoundland, and Natal may now plume themselves a little on having accepted a partnership in one of the epoch-making alliances of modern times.

We come now to the second conference, that of 1902. Mr Chamberlain was still at the Colonial Office. He was still "the greatest colonial Minister on record." He still had for his colleagues the Duke of Devonshire, Lord Goschen, Lord James, Lord Balfour of Burleigh, Lord George Hamilton, Sir Michael Hicks Beach, and Mr Ritchie, the future "free fooders." We may fairly assume that they had all read the official report of the proceedings at the Jubilee Conference, which was confidentially circulated among them. So far as the public are aware, they took no exception to these proceedings. No one has ever heard of their having objected

to a word that was said or a resolution that was adopted. Neither does it appear that they made any demur to the calling of the second conference. On the contrary, it was one of the most popular events of the Coronation year, and they all accepted their share in its popularity.

In 1902 substantially the same ground was gone over again as in 1897, but the discussions were of a rather more practical kind. Several new questions of importance were introduced, among them preferential trade. As in 1897, Mr Chamberlain read an introductory statement, which this time was partly retrospective. He reviewed the progress that had been made in the interval, and expressed sanguine hopes as to the future. He spoke like a strong man with a herculean task before him, which inspired him to herculean efforts. His sleeping partners in the Cabinet were still proud of their Hercules. They tacitly approved of the following resolutions which he introduced and carried:—

1. That this Conference recognises that the principle of preferential trade between the United Kingdom and His Majesty's dominions beyond the seas would stimulate and facilitate mutual commercial intercourse, and would, by promoting the development of the resources and industries of the several parts, strengthen the Empire.

2. That this Conference recognises that in the present circumstances of the colonies it is not practicable to adopt a general system of free

trade as between the Mother Country and the British dominions beyond the seas.

3. That with a view, however, to promoting the increase of trade within the Empire, it is desirable that those colonies which have not already adopted such a policy should, as far as their circumstances permit, give substantial preferential treatment to the products and manufactures of the United Kingdom.

4. That the Prime Ministers of the colonies respectfully urge on His Majesty's Government the expediency of granting in the United Kingdom preferential treatment to the products and manufactures of the colonies either by exemption from or reduction of duties now or hereafter imposed.

5. That the Prime Ministers present at the Conference undertake to submit to their respective Governments at the earliest opportunity the principle of the resolution, and to request them to take such measures as may be necessary to give effect to it.

People who have been labouring under the delusion that preferential trade is an electioneering scheme sprung suddenly on the country may learn from the above resolutions that since 1902 it has been an avowed part of the fiscal policy of the Empire. They may learn further that it is based on a definite compact between the United Kingdom and the self-governing colonies, which any or all of these self-governing colonies have a right to call on the United Kingdom to carry out.

After keeping them for nearly ten years in suspense as to what it meant to do about the imperial policy solemnly agreed upon in 1902, the Imperial Government now cries off. Mr Asquith, having allowed Mr Winston Churchill to bang, bar, and bolt the door against preference in any form, denounces it with bell, book, and candle as the greatest of impostures!

The closing sentence of his speech on Mr Austin Chamberlain's amendment to the Address will rank in our political history with the fatuous utterances of the authors of the American Stamp Act. What are colonial statesmen and business men who were the real fathers of imperial preference to think of such a tirade as this?—

> We are celebrating the obsequies of what is called imperial preference. . . . We must be thankful that the common-sense and the political instincts of the electors of this country have saved it from the invitation offered them to adopt what would have been one of the most disastrous political impostures of modern times.

Suppose a colonial Premier with a sense of humour were to retort on our anti-preference Cabinet: "That is all very fine, but why did you take so much trouble in 1902 to stultify yourselves and us? It was not only inside the Conference, but outside of it and in a variety of ways, that you gave us to believe that you desired special commercial arrangements with us. Did not Sir Michael Hicks Beach, just two months

before the Colonial Conference met, restore the shilling registration duty on grain? In doing so did he not say that it was 'a reckless act' on the part of Mr Lowe to relinquish the duty in 1869? And did he not proceed to regale the House of Commons with statistics proving that its abolition had had practically no effect at all on the price of food? Were we not entitled to infer from this and other acts of the Imperial Government in connection with the Jubilee Conference that some preference, however small, was to be given to the produce of the colonies? But instead of giving us any, within less than a year the shilling per quarter on grain laid on by Sir Michael Hicks Beach was taken off again by his successor, Mr Ritchie."

The Coronation Conference of 1902 had a tragic as well as a comic sequel. It led to the break up of the Government which convoked it, and was a prelude to the last chapter in the career of the Minister who presided over it. But if it was futile, what is to be said of the next Conference—that of 1907? It was held under the auspices of a new set of Ministers who openly proclaimed their lack of faith both in it and its avowed principles. They not only gagged it but repudiated the fiscal programme which it had solemnly adopted five years before. Its preferential policy they refused even to look at. In fact, the Little Englanders of 1907 were even less concerned about the future fate of the colonies

than were those of Cobden's time. On colonial questions Mr Asquith talks the very language of Cobden himself. He would doubtless endorse the following remarkable sentiments written by his free trade idol in 1849:—

> Under the *régime* of free trade [wrote Cobden to his friend Combe] Canada is not a whit more ours than is the Great Republic. To keep that force in the North American colonies at the expense of the taxpayers of this country is precisely the same drain upon our resources as if the Government of the United States were to levy a contribution upon us for the pay and subsistence of its army. The same may be said of our army in Australia, New Zealand, &c., *and if we do not draw in our horns, this country, with all its wealth, energy, and resources, will sink under the weight of the extended empire.*

From the colonial standpoint rabid opinions like the above have one redeeming quality. They leave no doubt as to the proper line to be taken with those who profess them. The British Empire has no real meaning to politicians of that breed. There is no occasion for the colonies to consult with them, no call for conferences, no room for co-operation, nothing to negotiate about. In their opinion the only thing to be done is for the Mother Country and the colonies to drift apart, as they were advised by Cobden to do fully half a century ago.

The Little England position is thus clear and consistent, like Mr Chamberlain's own. But what

of the hybrids who hover around between the two? What of the Free Traders who are neither Cobdenites nor Chamberlainites but a mongrel species? What of the amphibious statesmen who sit alternately on either side of the fiscal fence; who accept in office the responsibility of a joint agreement with the self-governing colonies for preferential trade, and a few months later go out into the wilderness to denounce it? In a word, how can intelligent colonials have any more faith in a House of Commons divided into factions one of which looks down on colonies as Cobden himself did, another plays fast and loose with them, and a third, though friendly, is for the time being powerless? What a legislative head for the British Empire!

At the next Congress the colonial Premiers will be justified in putting some plain questions to the Imperial Government as to how long they are expected to keep up the farce of being invited by our Colonial Secretary to enter into important fiscal agreements which another Colonial Secretary not merely repudiates, but bangs, bars, and covers with abuse.

CHAPTER XXV.

THE BRITISH PARLIAMENT AND THE COLONIES.

The British Empire is as full of anomalies as the British Constitution itself. Even the British Parliament is not free from them. For example, its relations to the self-governing colonies are at once puzzling and paradoxical. What its authority over them may be and what special *rôle* it exercises in the government of the Empire have been moot questions for the best part of two centuries. It has never since the days of the Stamp Act attempted any definition of its claims on colonial obedience. The question was hotly argued then on both sides of the Atlantic; and if an agreement on it could have been reached, the American Revolution might have been avoided. But constitutional arguments had to give place to arms, and the revolutionary war left the question still unsettled.

Since then it has never been taken up again by practical statesmen. The British Parliament itself shunned it as a sore subject, and it may well be that the persistent neglect of colonial

questions at Westminster is largely due to a consciousness of imperfect power to deal with them. Only in one class of cases has the so-called Imperial Parliament a direct right of intervention in colonial affairs. When any colony desires to have an Imperial Act amended or repealed, that can only be done at Westminster. But the Imperial Parliament cannot of its own motion influence the smallest piece of legislation in a colonial Parliament. Any colonial Act may be vetoed by the Crown on the advice of Ministers who are responsible to the Imperial Parliament. If Parliament did not approve of a particular exercise of the vetoing power, it might dismiss the offending Ministers, but the cause of offence might nevertheless remain. If the colony concerned wished it to remain, in all probability it would.

Probably few members of the British Parliament are aware that its authority is not recognised, or even alluded to, in the Acts of Colonial Legislatures. The enacting formula adopted by the Dominion Parliament reads thus—

> His Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows.

In the Provincial Legislatures of Canada the formula generally employed is—

> His Majesty, by and with the advice and consent of the Legislative Assembly of the Province of ——, enacts as follows.

The Commonwealth Parliament of Australia has adopted a somewhat different formula from that of Canada, but one equally oblivious of St Stephen's—

> Be it enacted by the King's Most Excellent Majesty, the Senate, and the House of Representatives of the Commonwealth of Australia, as follows.

The British Parliament could not, without violence to its own traditions, attempt to overrule a colonial Legislature. In its anxiety to avoid that danger it has gradually reduced itself to a nonentity in everything outside of its own parochial preserve. After the muddle it made of its dispute with the American colonies it is not surprising that for many years it fought shy of colonial questions. In 1838 its dislike of them was intensified by the fiasco of Lord Durham's democratic constitution for the Canadian Provinces. The haste with which "responsible self-government" was thereafter imposed on all the colonies who would submit to it proceeded as much, perhaps, from weariness as from magnanimity.

The British Parliament of to-day having, under the guise of liberal policy, rid itself of nearly all its colonial responsibilities, complacently contrasts its own safe impotence with the disastrous fussiness of its predecessor in the eighteenth century. It may be quite true that the Ministers and the Parliaments of George the Third were among the worst in our history. Nevertheless,

it may not be for the first Parliament of George the Fifth to throw stones at them. Unknown to itself, it may be committing quite as historical blunders as the Stamp Act. Our Parliamentarians, Radical and Conservative alike, might take it as an insult to be compared with Lord Bute's Cabinet of 1765, which began the fatal quarrel with the Americans. And even their most hostile critics might admit that they are still far above the level of the Grenvilles, and Walpoles, and Shelbournes of a century and a half ago. But faced as we are with a formidable array of imperial problems never seriously grappled with, can we be sure that Parliamentary fatuities almost as flagrant as the Stamp Act have become impossible? Do we realise that the fundamental issue so wantonly and gratuitously raised by that measure was not settled then, and has never been settled since? There has not even been an attempt worthy of its importance made to settle it. All that the Whigs of the early Victorian age did to repair the catastrophe brought on the Empire by the Whigs of George the Third's reign was to rush to the opposite extreme. For vexatious and meddlesome interference with the colonies they substituted what they were pleased to call "self-government." This in practice proved to be a license to self-governing colonies to do as they pleased without reference to the feelings or wishes, to say nothing of the rights, of the Mother Country.

We have had fully half a century of the "do

as you please" colonial policy, and it, too, is far from having given universal satisfaction. Not only are there many different opinions as to its practical results, but its fundamental principles are quite as vague and indefinite as were those of the authors of the Stamp Act. It may even be said, without unfairness to our existing legislators, that they manifest very little more real interest in the colonies as such, and little higher appreciation of colonial problems than did the place-men and rotten borough nominees whose venal votes provoked the American revolution. The imperial crisis of the present day seems to be almost as little understood as was the imperial crisis of the eighteenth century. Throughout the country there is no doubt a much keener anxiety as to the future of the Empire than ever before, but very little of that feeling has yet penetrated into the higher political circles. If we may judge by the proceedings of the House of Commons during recent sessions, it is weaker there than anywhere else.

The future of the Empire, instead of being regarded at Westminster as the most urgent of all questions, has to give place to every parochial and sectarian fad that party politics can invent for party purposes. Smug short-sighted self-complacence is there carried to such a pitch that they put off from day to day, and from year to year, the most essential of imperial questions. They even leave unanswered and little regarded the fundamental question which, if it had been

realised in time by the Granvilles and their henchmen, might have averted the catastrophe of 1775. The Grenvilles committed a political sin against the thirteen colonies in taxing them without their consent, and without attempting to prove the shadow of a right to do it. They committed no less a political sin against the Mother Country in not having considered beforehand what its legal and constitutional relations were to the colonies. That elementary point of view was entirely overlooked by the home Government, though it was well understood by the colonials, and pressed with great effect in the long controversy which preceded the war.

In the Parliament which passed the Stamp Act there was only one man who had the slightest conception of the unconstitutional character of the proceeding. Strange to say, he was George Grenville's brother-in-law, the elder Pitt. Still more strange is it that Pitt was actually a member of the Cabinet that framed and introduced the Stamp Act. This circumstance considerably discounts his subsequent championship of the colonies, but the explanation given of it is that Pitt was laid up at Stowe with gout while the Bill was being passed. He had many of these Achilles-like fits, during which he retired to his tents and let his colleagues blunder on as they best could without him. But if the elder Pitt was not wholly consistent in his advocacy of the colonial cause, the colonists themselves thoroughly understood the strong

points of their case, and never tired of pressing them both on the home Government and the House of Commons. In the constitutional argument which preceded the appeal to arms they had as much the best of it as they afterwards had in the war itself.

If, in our usual haphazard way, we were to tumble into a new dispute with one or other of our chief colonies, the same contrast would inevitably reappear. The colonial Government would from the outset take up clear and definite ground, while the House of Commons would very probably flounder about from one line of policy to another. Its one sure and abiding hope would be that it might "muddle through somehow."

In a crisis like the present, we very appropriately ask ourselves what real progress has been made since 1765 in adjusting the constitutional relations of the various sections of the British Empire. What has been done to render these internal relations mutually intelligible and acceptable to all parties? How much genuine advance has been made toward practical consolidation of the Empire as distinguished from the rhetorical consolidation which is mouthed about in after-dinner speeches and parliamentary harangues? How many public men of to-day have studied the doctrines of our first two great empire builders, the elder Pitt and Edmund Burke? How many have read the letters of Dr Franklin written in London during the anti-

Stamp Act agitation, in which he states and restates the claims of the Colonies?

To all responsible politicians of the day a more useful or necessary course of reading than the above letters and speeches could not be recommended. They will be astounded at the amount of living interest that survives in them, and at the number of imperial issues which are common to the two periods. It will puzzle them to imagine how issues so fundamental and so obviously essential to the safety of the Empire should have descended from generation to generation in all their original crudeness and ambiguity. Junius never wrote a satire so scorching as might be addressed to-day to the British Ministries and the British Parliaments of the past hundred and forty years on their colonial meddling and muddling. And if we would find the most striking possible contrast to that prolonged ineptitude, we have only to turn to the persistent methodical energy with which the United States Congress has laboured to regulate the internal relations of the National and the State Governments.

While British statesmen have been fumbling with colonial questions, American statesmen have not only made a nation out of the thirteen revolted colonies, but they have organised it and bound it together by constitutional ties, which every American submits to loyally as just and indispensable. Any one would have said in 1775 that the Americans had much the harder task

of the two. Even to weld the thirteen original States into a workable federation would have been a great achievement. How much greater was it to gather into the Union nearly three times as many new States and to fit each of them into its proper place, harmonising their divergent interests and smoothing down their local jealousies! The very danger and difficulty of the task may have contributed to its thorough achievement. The emergency produced men capable of grappling with it. It was so urgent and so threatening that they did not dare to trifle with it as British politicians have trifled with the much simpler question of organising the British Empire. State rights had to be determined one way or another, and they were definitely determined at last, though it took sixty years of political fighting and four years of civil war to do it. With a tithe of the trouble the British Empire might years ago have been welded into an organic whole.

So shameful a catastrophe as the loss of our American colonies could not perhaps happen to us again, but misfortunes hardly less humiliating are quite conceivable. We may never have another Parliament so mad as to deliberately drive a colony out of the Empire, but we may allow any number of them to drift out. And what will be the practical difference between the two cases? We shall save ourselves and the seceding colonists the inconvenience of bloodletting, but everything else will be the same. Secession on any terms, and however many fine

phrases it may be wrapped up in, will mean the break up of an Empire. It will be for British rule what the rupture of the Union would have been for the Americans in 1862. Why we regard such a prospect so differently to what they did is one of the anomalies of our parliamentary system.

One explanation of Parliamentary callousness on imperial questions may be the ingrained aversion there seems to be in the British character to thinking out anything beforehand. Ministers, generals, administrators, and traders all get into trouble through this defect. Most of them get out again somehow, and all's well that ends well. Professor Seeley no doubt referred to this peculiarity of the race when he spoke of the British Empire having been created in a fit of absent-mindedness. It was certainly in a fit of absent-mindedness that the American colonies were lost to us, but so far as that goes our own generation has little cause to crow over any of its predecessors.

Another explanation of the persistent shirking of colonial questions is the increasing accentuation of social and sectarian fads in our parliamentary life. Anything touching on beer-houses, or chapels, or Chinamen, or the Cobden Club, will let loose torrents of eloquence, but an Indian budget will be wasted on empty benches, and the mention of an Imperial Conference rouses in the Radical breast no other sentiment than fear for the safety of the cheap loaf.

If we could imagine a leader of the House of Commons capable of so grim a practical joke, he might succeed in smuggling through a measure quite as offensive to the Canadians or the Australians of to-day as the Stamp Act was to the Americans. The Stamp Act itself slipped through both Houses in the quietest and most unsuspicious fashion. There was hardly a voice raised against it either in the Lords or the Commons, and great was the surprise of the country when it learned, months afterwards, of the storm which the Act had excited in the colonies.

A belated inquiry was then instituted into the powers of Parliament in colonial affairs, and taxation in particular. The revolted colonies were allowed to state their case through their own representatives, among whom was Dr Franklin. The views he submitted as to the relative powers of the Crown and of Parliament were entirely novel. They received, moreover, very scant consideration at the time, and were soon forgotten in the tumult of battle. To-day they are worth recalling, for the questions they raise are as pertinent now as they were then.

In course of a long examination, Dr Franklin stated clearly the views of the colonists on their legal relations to the Crown and to Parliament. He drew a very important distinction between the two. At this stage of the dispute the colonists recognised the right of the Crown to make requisitions on them for grants to be voted by their

own Assemblies. They also acknowledged the right of Parliament to levy customs duties for the benefit of trade between the colonies and the Mother Country, but they claimed for themselves exclusive authority to levy internal taxes.

On being asked if he had ever heard the authority of Parliament to make laws for America questioned until lately, Dr Franklin replied—

> The authority of Parliament was allowed to be valid in all laws except such as should lay internal taxes. It was never disputed in laying duties to regulate commerce.

On this point he was cross-examined as follows, and his answer touches on a fundamental issue which is still pending between the Mother Country and the colonies—namely, how the cost of the imperial navy should be divided between them :—

> *Q.* You say you do not object to the right of Parliament in laying duties on goods to be paid on their importation; now, is there any kind of difference between a duty on the importation of goods and an excise on their consumption?
>
> *A.* Yes, a very material one. An excise for the reason I have just mentioned they think you can have no right to lay within their country. But the sea is yours; you maintain by your fleets the safety of navigation on it and keep it clear of pirates. You may have, therefore, a natural and equitable right to some toll or duty on merchandise carried through that part of your dominions toward defraying the expense you are at in ships to maintain the safety of that carriage.

These opinions, though nearly a century and a half old, may still be commended to the favourable consideration of our Australian and Canadian cousins. If George III. and his Ministers had properly appreciated them at the time they might have furnished the basis for an equitable arrangement with the colonies. But in repealing the Stamp Act they nullified the effect of that reluctant concession by immediately afterwards passing a Declaratory Act affirming "the right of Parliament to bind the colonies in all cases whatsoever." For a comparatively small issue a very large one was thus substituted. The colonists were forced to enlarge their ground of resistance to a corresponding extent, and in the end the right of Parliament to levy any duties whatsoever was disputed. In 1766, when Franklin gave the above evidence before the House of Commons, an import duty might have been levied on tea without the slightest danger of the tea being thrown overboard in Boston harbour. But when resistance was made a question of constitutional principle it soon took a very wide range.

The extensive correspondence which Franklin while he was in London carried on with the press and with distinguished men of all classes reveals political ideas much in advance of his time. Among other things, it shows that he was a bold and far-sighted imperialist. His protests against Parliamentary domination over the

colonies are intermingled with suggestions for the creation of a British Empire with an Imperial Parliament embracing representatives of the colonies. These ideas are elaborated in his letters to Lord Kames, one of his most intimate correspondents. In the following extract of a letter, dated 11th April 1769, he defines the degree of control which the colonists were willing to concede to the British Parliament as it then existed:—

It is a common but mistaken notion here that the colonies were planted at the expense of Parliament, and that, therefore, Parliament has the right to tax them. The truth is, they were planted at the expense of private adventurers who went over there to settle with leave of the King, given by charter. On receiving this leave and those charters, the adventurers voluntarily engaged to remain the King's subjects though in a foreign country —a country which had not been conquered by either King or Parliament, but was possessed by a free people. When our planters arrived they purchased lands of the natives without putting King or Parliament to any expense. Parliament had no hand in their settlement, was never so much as consulted about their constitution, and took no kind of notice of them till many years after they were established. . . . In this view, they seem so many separate little states subject to the same prince. The sovereignty of the King is therefore easily understood. But nothing is more common here (in England) than to talk of the sovereignty of Parliament and the sovereignty of this nation over the colonies—a kind of sovereignty the idea of which is not so clear, nor does it clearly appear on what foundation it is established. On the other hand, it seems necessary for the common

good of the Empire that a power be lodged somewhere to regulate the general commerce; this can nowhere be placed so properly as in the Parliament of Great Britain, and, therefore, though that power has in some instances been executed with great partiality to Britain and prejudice to the colonies, they have nevertheless always submitted to it. Custom-houses are established in all of them by means of laws made here, and the duties instantly paid, except by a few smugglers, such as are here and in all countries, but internal taxes laid on them by Parliament are still and ever will be objected to.

In a letter to an unknown correspondent, dated January 6, 1766, he enumerates the principal objections of the colonies to the existing system, and concludes with a hint of the best means to conciliate them—namely, to give them a voice in the assembly which claimed to tax them:—

While then these burdens continue; while Britain restrains the colonies in every branch of commerce and manufactures that she thinks interferes with her own; while she drains the colonies by her trade with them of all the cash they can procure by every art and industry in any part of the world, and thus keeps them always in her debt (for they can make no law to discourage the importation of your to them ruinous superfluities, as you do with the superfluities of France, since such a law would immediately be reported against by your Board of Trade and repealed by the Crown),—I say while these circumstances continue, and while there subsists the established method of royal requisitions for raising money on them by their own assemblies on every proper occasion; can it be necessary to distress and vex them by taxes laid here in a Parliament wherein they have no represen-

tative, and in a manner which they look upon as unconstitutional and subversive of the most valuable rights? Are they to be thought unreasonable and ungrateful if they oppose such taxes? . . . *It is more than probable that bringing representatives from the colonies to sit and act here as members of Parliament, thus uniting and consolidating your Dominions, would in a little time remove these objections and difficulties, and make the future government of the colonies easy.*

Fully a year later, in writing to Lord Kames (11th April 1767), Franklin develops his favourite idea of having the colonies represented in Parliament:—

I am fully persuaded with you that *a consolidatory union* by a fair and equal representation of all parts of this empire in Parliament is the only firm basis on which its political grandeur and prosperity can be founded. Ireland once wished it, and now rejects it. The time has been when the colonies might have been pleased with it; they are now indifferent about it, and if it be much longer delayed they too will *refuse* it. But the pride of this people (of England) cannot bear the thought of it, and therefore it will be delayed. Every man in England seems to consider himself as a piece of a sovereign over America; seems to jostle himself into the throne with our King and talks of *our subjects in the colonies*. The Parliament cannot well and wisely make laws suited to the colonies without being properly and truly informed of their circumstances, abilities, temper, &c. This it cannot be without representatives from thence; and yet it is fond of this power, but averse to the only means for acquiring the necessary knowledge for exercising it. *It desires to be omnipotent without being omniscient.*

The tone in which this suggestion is made is very significant. Dr Franklin does not appear as a suppliant for the colonies. He puts them on an equality with the Mother Country, and urges his proposal as for the good of both. He goes even further, and affirms that the Mother Country has more to gain by it in future than the colonies will have. He ventures on a prediction as to the future of America, which shows how even before the republic was born far-seeing Americans were becoming conscious of the greatness of their national destiny :—

> As to America, the advantages of such a union to her are not so apparent (as those to the Mother Country). She may suffer at present under the arbitrary power of this country. She may suffer for a while in a separation from it ; but these are temporary evils which she will outgrow. Scotland and Ireland are differently circumstanced. Confined by the sea, they can scarcely increase in numbers, wealth, and strength so as to overbalance England. But America, an immense territory favoured by nature with all advantages of climate, soils, great navigable rivers, lakes, &c., must become a great country, populous and mighty, and will, in less time than is generally conceived, be able to shake off any shackles that may be imposed upon her, *and perhaps place them on the imposers.*

No one can read the clear-headed prescient views set forth in the foregoing extracts without being forced to a conclusion not flattering to British pride, but none the less irresistible—namely, that the statesmen of 1766 were not the

men who filled the high offices of State, but the plain men like Franklin who fought in vain against the abuse of these high offices. The Grenvilles nowhere show the slightest conception of the constitutional issues involved in the dispute. It never seemed to dawn on them that Providence had placed within their reach a chance to found an empire which might never occur again. Benjamin Franklin saw all that clearly enough, and if he could have made George the Third and his Ministers see it, the course of history might have been changed. We can easily imagine how his imperial theories were sneered at in Downing Street and at Court. But if it had been otherwise, what a woeful chapter in British history would have remained unwritten!

Suppose for a moment that Benjamin Franklin could return to London once more to see how his ideas of nearly a century and a half had developed. Much to his surprise, he would find that the British Empire is almost as far as ever from the well-ordered consolidation which he advocated, that the constitutional questions he had discussed so ably with Lord Kames were just where he had left them, that the British colonies of to-day are almost as uncertain about their relations to the Mother Country as were the thirteen American colonies on the eve of their revolt. It is a melancholy truth, however little we may relish it, that British statesmen of to-day are almost as much at sea about colonial

policy as were the Whig and Tory politicians of 1765. All through the intervening hundred and fifty years we have been moving in a vicious circle. We have danced to a succession of new tunes—government by royal charter, government by crown nominees, mixed nominee and elective government, self-government, responsible government, federal government, and a dozen other Downing Street airs.

The result so far has been not harmony but new discords. The grounds of difference between the Imperial and the Colonial authorities tend to increase rather than to diminish. Risks of friction are more numerous than they ever were before. Unsettled problems of importance are continually on the increase. The future of Canada is an enigma, that of South Africa is equally uncertain, that of Australia has not a few disquieting features. Even our West India islands are in a state of transition attended with serious risks. Not one of these many and varied difficulties are we prepared to meet with a settled well-thought-out policy. We have not even made up our minds as to what the fundamental bond of union between the Mother Country and the colonies should be.

The preliminary question raised by Dr Franklin in 1765, whether or not the colonies should be represented in Parliament, is still in its academic stage. The Imperial Conferences appear to avoid that subject, though its primary importance

entitled it to be taken up first. May we hope that this year's Conference will avoid that illogical error, and begin its work at the beginning? The issues pending between the Mother Country and the colonies demand more than casual and intermittent consideration. They require an Imperial Parliament of their own, free from parochial fanatics and socialist firebrands. The root of the matter, as Dr Franklin clearly saw in 1765, is the share we are willing to give the colonies in our imperial councils. Settle that in a sensible equitable spirit, and everything else will follow in time. Every living colonial politician of any weight would, we doubt not, subscribe to Dr Franklin's plea for parliamentary representation in the capital of the Empire. May they obtain a more sympathetic hearing in Downing Street than he did. And Heaven forbid that they should be put off as he was, until in bitterness of soul they exclaim as he did:—

> The time has been when the colonies would have esteemed it a great advantage as well as an honour to be permitted to send members to Parliament, and would have asked for that privilege if they could have had the least hopes of obtaining it. The time is now come when they are indifferent about it, and the time is coming when they will certainly refuse it.

CHAPTER XXVI.

THE NEW AND LARGER FEDERATION.

THE cause of imperial federation appears to be receiving a fresh stimulus from an unexpected quarter. The last people in the world who were likely to contribute to it were the Home Rulers. Hitherto they have been regarded as its principal opponents and the greatest obstacles in its way. While the Irish Nationalists were clamouring for separation and legislative independence the Empire appeared to be heading for disintegration rather than for federation. But now the contradictory and mutually destructive character of the two movements begins to be realised. As if by a sudden flash of revelation the public see that if we begin making great constitutional changes it would be better to make them on broad imperial lines than on narrow provincial ones. If very little more effort than would be needed to remedy the political grievances of Ireland will suffice to solve the much more important question of imperial organisation, why not essay at once the larger task?

We all know and feel that if the British Empire is to last much longer it must be properly organised. Every year that passes without that belated work being taken seriously in hand jeopardises its ultimate success. The longer it is delayed and put off the less satisfactory the results are likely to be. It is further perceived that the British Parliament has greatly lowered its prestige by the domestic squabbles in which it has of late been so completely absorbed. It is losing the essential attributes of an Imperial Parliament, and if the Radicals were to succeed in carrying out their anti-House of Lords programme it would cease to be a suitable centre for a great scheme of federation. Home Rule all round, having detached Ireland, Scotland, and Wales from its immediate jurisdiction, would leave it for all practical purposes a purely English legislature.

It may be that some evolution of this kind awaits us. There is a strange convergence of opinion from the most opposite quarters in that direction. Complete separation of local from imperial business is now being advocated in the interest of both. That they cannot be successfully combined at Westminster is the lesson which the last two Parliaments have taught us. One or other of them must go, and when the choice has to be made there can be little doubt what it will be. Scotland, Ireland, Wales, and even the Isle of Man would be all welcome to

Home Rule provided we could then have a real Grand Council of the Empire.

Such is the latest aspect of the imperial problem. Reasonable, responsible politicians are now asking themselves if the local legislation of the three kingdoms could not be so far decentralised as to clear the ground for a specially organised federal legislature. Nothing of the sort could possibly be done with the existing Parliament. Physical limitations are against it, to say nothing of party feuds, class wars, and national jealousies. The best brains and the readiest tongues in the three kingdoms are being wasted on questions which could be better handled by men of smaller calibre but greater local knowledge. If these local affairs were relegated to their proper sphere, then Westminster would have room for a *bona fide* Parliament of the Empire, in which not only the United Kingdom but all the Oversea Dominions would be adequately represented.

Such is the new policy now foreshadowed. True, it comes from a doubtful quarter and is attended with suspicious circumstances. It was first mooted by Mr Redmond in a speech at Buffalo, which was meant for American consumption only. Mr T. P. O'Connor supplied Canadian editions of it at Ottawa and other Canadian cities. It received the benediction of Sir Wilfrid Laurier, who evidently took the statements of the Irish delegates in good faith,

and believed that they meant what they said. At the above meeting he made the following plea for Ireland:—

> The fact that England trusted Canada and granted her autonomous government has converted the restlessness and ill-feeling of former days into deep and abiding loyalty among all Canadians to the Motherland. Let England trust the Irish people as she has trusted the Canadians. Let her appeal to the hearts of the Irish, and there will be a like glorious response. All Ireland asks for is fair and equal justice. It is to me the only black spot on the Government that Ireland has not been given the right of local self-government. Let that be granted as in Canada and in South Africa, and I am sure that there will follow among the Irish people abiding loyalty to the British Crown, content with British rule, and a unity such as that which followed the granting of autonomy to the people of Canada.

If Messrs Redmond and O'Connor had been sincere in their protestations at Buffalo and elsewhere, that they wanted nothing more than local self-government as enjoyed by the Canadians, the support of Sir Wilfrid Laurier would have been invaluable to them. His plea to put Ireland on the same footing as the Provinces of Ontario and Quebec would have been treated seriously in this country. It might even have started a new movement, which would have been a blessing both to Ireland and the Empire. But Sir Wilfrid is not the first Canadian statesman who has discovered that Irish politics are troubled

waters to fish in. His friend and quondam leader, the Hon. Edward Blake, gave up the prospect of a brilliant career in Canada for the leadership of the Irish party in the House of Commons, and no politician of his time ever made a bigger mistake.

If Sir Wilfrid Laurier is to become intercessor at large for the same Irish party who ruined Mr Blake, the example of his friend should put him on his guard against disappointments and disillusions. Already he can see that Irish speeches do not mean the same thing in Canada and in Ireland. His eloquent intercession seems likely to be wasted, not from lack of friendly response in England but because the terms on which it was given are indignantly repudiated by the real dictators of Ireland. What they are going for is not local self-government *à la* Ontario or Quebec. The mere thought of such a climb down has made Mr Dillon furious. He stands out for the whole Parnell programme and not a tittle less.

On that basis there can be no compromise between Irish disloyalty and imperial unity. Sir Wilfrid Laurier, if he were in office at Westminster, would be the last man to entertain such a thought. He would quickly perceive the difference between national independence as preached by the United Irish League and local self-government as practised by the various Provinces of the Canadian Dominion. The Irish

leaders have only to stand up to their declarations at Buffalo, Ottawa, and Toronto; they have only to adopt in good faith the Ontario and Quebec model of autonomy, and two great questions will be solved together—Home Rule and imperial federation.

Apparently Mr Asquith and his colleagues share Sir Wilfrid Laurier's fond hope that a federal form of Home Rule will satisfy the Irish party. But the latter have so far shown little taste for such diluted independence. Moreover, they cannot lightly forget, as Sir Wilfrid Laurier seems to have done, that, in this case, there is not one Ireland, but two. Protestant Ulster and Catholic Connaught cannot be forcibly yoked together in the name of political liberty. That experiment was made once with Protestant Ontario and Catholic Quebec, and it stands on record as one of the memorable fiascoes of Canadian politics. Sir Wilfrid Laurier could not for a moment think of recommending its repetition in Ireland, where its failure would be still more certain. He of all men could not deny to the Protestants of Ulster the local self-government which he considers to be the natural right of Irishmen. How could he consistently do it in face of the fact that Ulster contains more than a third of the four and a quarter millions of people left in Ireland?

Whatever contortions and gyrations Irish politicians may have to go through in the immediate

future, the ultimate issue is becoming pretty clear. In the end, the people will accept some form of local self-government compatible with imperial federation, and essentially bound up with it. The only difficulty about it will be the separate arrangement for Ulster. On that the Ulster men will doubtless insist, and, if they do, their claim will be irresistible. Nothing can be urged against it which may not with equal force be urged against Home Rule for Wales. The Welsh are not more distinct from the English than the Ulster Protestants are from the people of the other three Provinces.

In numbers Ulster and Wales are almost on a level. At the last census (1901) they had a population of about a million and a half each. In capacity for self-government, Ulster will be generally admitted to have the advantage of Wales. In both cases there are large commercial and industrial interests at stake. It would be as dangerous to put the great shipbuilding and manufacturing interests of Ulster under the rule of Parnellites and priests as to try that experiment on the coal mines of Glamorganshire. The agitators for Home Rule all round cannot possibly think of subjecting the million and a half of enterprising Ulster men to the political dictation of little more than half a million of priest-ridden Connaught peasants. Certainly Sir Wilfrid Laurier could not countenance such a burlesque of local self-government. No British Minister

would venture to suggest such an absurdity to the House of Commons.

Subject to Home Rule all round being carried out fairly and consistently, it might be a suitable prelude to the last act of imperial federation. Scotland and Wales would present no serious difficulties. The English question is much larger and more intricate, but with skill and patience it too may be solved within a reasonable time. When imperial subjects have been eliminated from the programme of the existing Parliament and transferred to a properly constituted imperial authority, purely domestic politics will lose much of their exaggerated importance. They will also be dealt with in a calmer and more judicial spirit. The destroying flames of party war will cool down. Socialist bogeys, educational deadlocks, and labour troubles will all lose something of their terrors when localised and divided up among several legislative bodies.

On the other hand, imperial questions of defence, fiscal policy, food supplies, Indian administration, and such-like will be more adequately appreciated in the serener atmosphere of a Supreme Council responsible to no single electorate, but to the Empire at large. By such a Council the vital interests of the Empire may be rescued from the futile hands of party politicians and committed to the care of large-minded statesmen. Tariff and other fiscal problems may

at the same time be taken out of politics and dealt with as branches of a great commercial and economic science.

A vital issue still greater than any of these may also benefit by a new departure. It has become obvious that the strife which has raged for years around the House of Lords can never be satisfactorily settled on party lines. Now that the House has voluntarily conceded everything reasonable men can ask for, there is nothing to prevent its being forthwith reorganised and brought into harmony with democratic principles. Its bitterest opponents admit that it contains a large amount of Parliamentary skill and experience, which might surely be turned to better account than it has been hitherto. To the Radical demands that the House of Lords should be muzzled and degraded, a counter-demand may well be made that better and less controversial work should be found for it. A golden opportunity of doing so offers itself in the new scheme of imperial federation. Why not transform it from a British into an Imperial House of Lords?

By so doing, some, if not all, of the wearisome constitutional controversies of the day may be cut short. The local Parliaments may be made self-dependent within their respective spheres. In them Radicalism will have its one-chamber system. It will be freed from its worst grievance, the House of Lords veto. On local

questions there will be complete local self-government, while all imperial questions will be reserved for imperial statesmen to deal with. In the House of Lords we have ready to hand the nucleus of a competent Grand Council of the Empire. Already it possesses not a few of the necessary qualifications for that high office. It contains a considerable number of representatives of the Oversea Dominions. It has long been accustomed to handle imperial questions and transact imperial business. By judicial as well as by legislative ties it is connected with every part of the Empire.

All the great training schools of administration —the army, the navy, the diplomatic service, the civil service, commerce, industry, and the learned professions—regard the House of Lords as the goal of their ambition. Such prestige is a valuable asset not to be lightly thrown away. To throw it away when it can be so easily preserved, and not merely preserved but greatly enhanced, would surely be the height of political folly. All that need be done in order to launch the House of Lords, reformed and modernised, on a new career even more brilliant than its glorious past, is to transform it into an Imperial Council, to gather into it the best men in the present House, and to add to them from time to time the cream of the public service, the colonial service, political life, commercial life, and every other class of life which produces capable rulers.

There would, of course, have to be an equitable distribution of membership in this Imperial Council among the various parts of the Empire. No single basis of representation could be applied all round. In some cases it might have to be population, in some contributions to imperial charges, and in others a combination of the two. This would not be so difficult a problem as it looks at first glance. Though the British Empire embraces no less than fifty distinct geographical units, many of them would be of small account in a scheme of imperial federation. A considerable number of them are military posts or naval stations—like Gibraltar, Malta, Aden, St Helena, &c. Some are protectorates — like Uganda, Nigeria, Zanzibar, and Bechuanaland. Many of them are Crown colonies—like Ceylon, Hong Kong, Labuan, the Straits Settlements, and the federated Malay States. No immediate change in the condition of such dependencies is called for. It is only the self-governing colonies that have to be dealt with, and these number half a dozen, not including India, which Lord Morley has raised to a category of its own as a *quasi*-self-governing dependency.

The task of federating the Empire has been greatly simplified and accelerated by the unification schemes so successfully carried out by the Australian and South African colonies. In the former case six, and in the latter four separate Governments have been reduced to one for im-

perial purposes. The authors of these two unions have left British statesmen comparatively little to do for the completion of their great work. The coping-stone has now to be laid on a structure which has been slowly growing and expanding for over three centuries. A score of imperial statesmen — British, Canadian, South African, Australian, New Zealand, and West Indian—have only to come together and agree on the fundamental terms of federation, and the practical arrangements may be begun at once.

Every loyal subject of King George will join in an earnest wish that his coronation year may be distinguished by a decided advance toward rounding off the organisation of the Empire. The long-wished-for end is now well in sight, and it is surely within the resources of British statesmanship to devise means for reaching it. Once it has been achieved we shall be able to look back with amusement on the insular self-sufficiency of the days when colonies were sneered at as burdens and encumbrances. The political letters and speeches of half a century ago teem with such anti-colonial jibes, in which Whig and Radical leaders vied with each other. The late Lord Dufferin preserved some choice specimens of them in his correspondence. In a letter to Lord Granville he thus records the characteristic congratulations which he received from Mr Robert Lowe on his appointment as Governor-General of Canada.

It is perfectly true that after I had been appointed to Canada Bob Lowe came up to me in a club and said, "Now, you ought to make it your business to get rid of the Dominion," to which I replied that I certainly did not intend to be handed down to history as the Governor-General who had lost Canada.[1]

In the Colonial Office itself and among its highest officials there were violent Disintegrationists. Looking back on the opportunities they had and the strong influence they wielded both in society and in Parliament, it is a mercy that they succeeded in doing so little mischief. If they could have strangled our over-seas Empire at its birth they would cheerfully have done it. More than that, they would have thought they were doing a clever and statesmanlike action. How openly and assiduously they worked for disintegration appears in the following extract from a letter written by Sir Henry Taylor, a high official at the Colonial Office, to the Duke of Newcastle in 1864:—

When your Grace and the Prince of Wales were employing yourselves so successfully in conciliating the (Canadian) colonists I thought you were drawing closer ties that might be better slackened if there were any chance of slipping away. I think that a policy which has regard to a not very distant future should prepare facilities and propensities for separation.[2]

[1] Life of Lord Dufferin, vol. i. p. 236.

[2] Ibid., vol. i. p. 286.

Turning from these ancient records to the Canada of to-day, and observing how Liberal and Conservative politicians now vie with each other as Imperialists, we see another of the strange ironies of history. How short-sighted the cleverest of politicians can be at times! But the short-sightedness has not been all on the British side. The false predictions of Mr Robert Lowe and Sir Henry Taylor could be matched a hundred times over from Canadian speeches and writings of the same period. How many of to-day's ultra-loyalists were Annexationists in 1864 and 1872? How many of them were Separationists as pronounced as Mr Lowe himself? The true keynote of to-day's Imperialism was not struck until 1872, and it was neither a Canadian Grit nor a British Radical who struck it. We owe it to the statesman who, though little understood or esteemed in those days, was the truest interpreter of the spirit of his age. In his historical speech at the Crystal Palace in June 1872, Lord Beaconsfield expressed his idea of how the foundations of our colonial Empire ought to have been laid in order to render it of the greatest possible benefit both to the colonies and the Mother Country.

I cannot conceive [he said] how our distant colonies can have their affairs administered except by self-government. But self-government, in my opinion, when it was conceded ought to have been conceded as part of a great policy of consolidation. *It ought to have been*

accompanied by an Imperial tariff, by securities for the people of England for the enjoyment of the unappropriated lands which belonged to the Sovereign as their trustee, and by a military code precisely defining the means and the responsibilities by which the colonies should be defended, and by which, if necessary, this country should call for aid from the colonies themselves. It ought, further, to have been accompanied by the institution of some kind of representative council in the metropolis which would have brought the colonies into constant and continuous relations with the Home Government. All this, however, was omitted, because those who advised our colonial policy looked upon the colonies of England, looked even upon our connection with India, as a burden upon this country, viewing everything in a financial aspect and totally passing by those moral and political considerations which make nations great, and by the influence of which alone men are distinguished from animals. Well, what has been the result of this attempt during the reign of Liberalism for the disintegration of the Empire? It has entirely failed. But how has it failed? Through the sympathy of the colonies with the Mother Country. They have decided that the Empire shall not be destroyed, *and, in my opinion, no Minister in this country will do his duty who neglects any opportunity of reconstructing as much as possible our Colonial Empire and of responding to those distant sympathies which may become the source of incalculable strength and happiness to this land.*

Lord Beaconsfield's declaration in favour of a new imperial policy came in the nick of time to save both Canada and the Mother Country from false steps which could never have been retraced. Young Canada in those days had its

eyes turned to the United States, and there were few British statesmen either in the Conservative or the Liberal camp who would have raised a very strong protest against secession. But that peril has happily passed away, and Imperial statesmen are now assiduously cultivating those "distant sympathies" which Lord Beaconsfield so truly predicted were to become "sources of incalculable strength and happiness to this land."

May their efforts prosper until the British flag floats again over a world-wide Empire as invincible as it was in the days of Trafalgar.

THE END.

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